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H – 1228

International Court of Justice

H1228 - 0002

TABLE OF CONTENTS FOR DOCUMENTS ON THE INDIVIDUAL RESPONSIBILITY OF THE DEFENDANT HJALMAR SCHACHT


| Document No. | Description | No. |
|---|---|---|
| EC-128 | Report on state of preparation for war economic mobilisation, 30 September 1934. | 1 |
| EC-243 | Memo of 26 November 1936 containing Goering's Order regarding supervision and jurisdiction about German raw material. | 2 |
| EC-244 | Letter from Blomberg to Hitler, 22 February 1937. | 3 |
| EC-248 | Letter Keitel to Koerner, 14 June 1937. | 4 |
| EC-251 | Letter Wohltat to various officials, 21 July 1937. | 5 |
| EC-252 | Letter Schacht to Blomberg, 8 July 1937. | 6 |
| EC-258 | Report on the preparation of the economic mobilisation by the Plenipotentiary for War Economy as of 31 December 1937. | 7 |
| EC-283 | Letter Schacht to Goering, 26 August 1937. | 8 |
| EC-297 | Speech by Schacht to employees of the former Austrian National Bank at Vienna, 2 March 1938. | 9 |
| EC-369 | Correspondence Hitler - Schacht, January 1939 | 10 |
| EC-376 | Letter Schacht to supervisory officers, 11 December 1936. | 11 |
| EC-383 | Letter with enclosure - article about Schacht appearing in the Militaerwochenblatt (Military weekly sheet), 16 January 1937. | 12 |
| EC-384 | Agreement between Schacht and Goering, 7 July 1937. | 13 |
| EC-397 | Letter Hitler to Schacht, 19 January 1939. | 14 |
| EC-398 | Dismissal of Schacht as President of the Reichsbank, 20 January 1939. | 15 |
| EC-415 | Excerpts "Schacht in seinen Aeusserungen", Berlin 1939. | 16 |
| EC-416 | Minutes of Cabinet Meeting, 4 September 1936. | 17 |
| EC-419 | Letter Schwerin-Krosigk to Hitler, 1 September 1938. | 18 |
| EC-420 | Draft of letter prepared by Military Economic Staff, 19 December 1936. | 19 |
| EC-421 | Minutes taken by member of General Thomas' staff of meeting held on 11 March 1938. | 20 |

H1228 - 0003

| Document No. | Description | No. |
|---|---|---|
| EC-432 | Excerpts from annual economic review for Germany, 1935, prepared by Douglas Miller. | 21 |
| EC-436 | Affidavit of Puhl, 2 November 1945. | 22 |
| EC-437 | Affidavit of Puhl, 7 November 1945. | 23 |
| EC-438 | Affidavit of Puhl, 8 November 1945. | 24 |
| EC-439 | Affidavit of Schnitzler, 10 November 1945. | 25 |
| EC-450 | Affidavit of S.R. Fuller, 18 October 1945. | 26 |
| EC-451 | Affidavit of Messersmith, 15 November 1945. | 27 |
| EC-457 | Letter Schacht to Hitler, 29 August 1932. | 28 |
| EC-458 | Affidavit of Major Tilley, 21 November 1945. | 29 |
| EC-460 | Franz Reuter "Schacht", Deutsche Verlagsanstalt, 1937. | 30 |
| EC-461 | Excerpts of Ambassador Dodd's Diary. | 31 |
| EC-492 | Letter from Schacht to Goering, 17 April 1937. | 32 |
| EC-493 | Letter of Goering to Schacht, 22 August 1937. | 33 |
| EC-494 | Letter from Lammers to Goering presenting copy of letter Lammers to Schacht, 8 December 1937. | 34 |
| EC-495 | Letter from Schacht to Hitler requesting release, 16 November 1937. | 35 |
| EC-611 | Speech by Schacht, 29 November 1938, entitled "Finance Miracle and the New Plan". | 36 |
| 1168-PS | Memo financing of armament, 3 May 1935. | 37 |
| 1301-PS | Materials financing of armament 1936. | 38 |
| 2261-PS | Appointment of Schacht as Plenipotentiary, 21 May 1935. | 39 |
| 2409A-PS | Book by Goebbels "Vom Kaiserhof zur Reichskanzlei", Munich, 1934. | 40 |
| 3021-PS | Statement of governmental positions held by Dr. Hjalmar Schacht. | 41 |
| L-104 | Report Ambassador Dodd to State Department, 29 November 1937. | 42 |
| L-111 | Report Ambassador Davies to State Department, 20 January 1937. | 43 |
| L-151 | Report Ambassador Bullitt to State Department, 23 November 1937. | 44 |

H1228 – 0004

| | Description | No. |
|---|---|---|
| Interrogations | Schacht 11 July 1945. | 46 |
| | " 20 " " | 47 |
| | " 24 August " | 48 |
| | " 13 October " | 49 |
| | " 16 " " | 50 |
| | " 17 " " | 51 |
| | Goering 17 October 1945. | 52 |
| | Von Krosigk 24 September 1945. | 53 |

H1228 - 0005

TRANSLATION OF DOCUMENT EC-128
OFFICE OF U.S. CHIEF OF COUNSEL

(Pencil note: "10 Copies 2nd Copy")

Part A

Report

on

The Work Done by 30 Sept. 1934 Towards Economic Mobilization, Including a Short Summary of the Directive (Included)

( Sticker attached marked "Secret and "Secret Business of the Command" )

H1228 - 0006



First Part

Introduction: The Problem and How to Solve it.

1. Problem.

Significance of the Problem: With the establishment of the Reich Defense Council and its permanent committee the Reich Ministry of Economics has been given the task of making economic preparation for the conduct of the war.** There should really be no need to explain the tremendous significance of this task. Everyone remembers how terribly the lack of any economic preparation for war avenged itself during the world war. We ourselves suffered heavy and irretrievable losses during the world war through the thoughtless wasteful economy which prevailed at first. These losses were increased later, because very often a thrift policy was begun too late. Of necessity all the measures taken were of an improvised character. At first there was unified general politico-economic policy. This was adopted gradually. Not till then could the heterogeneous measures be coordinated or the effects of any one operation on a different territory be taken into consideration. But even after that stage of war economy had been reached - that is in the autumn of 1916 - the lack of preparatory planning had an injurious effect. And naturally there are limits to war economy, however well prepared it may be, as regards its organisation and its legal and economic policy. These limits are to be found in the amount of raw materials available - whether produced at home or imported - and also in the volume of industrial capacity. Any attempt to exceed these limits by too far-reaching programs would avenge itself, for the indefinite increase of raw materials bases would result in diverting raw materials and industrial facilities from other urgent purposes. And conversely the enlarging of industrial centers, increase of transport facilities etc. depends on the availability of essential raw materials. The so-called Hindenburg program (autumn 1916) attempted to exceed these limitations. It led to severe reverses in many fields, and the view that it was due to that program that the optimal effectiveness of our economic facilities was not reached is probably not unjustified.

Intensification of this significance after the end of the war. The necessity of economic preparation for war has been increased for Germany through certain factors in the period since the end of the world war:

1. Technicology (and continuous industrial improvement) has in the meantime gained in importance for the conduct of war. Compared with the present day and the near future, most important technical weapons, such as the air force and tanks, were at the end of the world war still in their infancy. And it is just these weapons in particular that call for high grade precision work in modern industrial production centers, as well as for large quantities of valuable raw materials for their production and maintenance.

2. The need of the civil population for mass consumption goods has certainly increased since the end of the first world war; its sudden strangulation would have psychological reactions in an increased degree.

3. Through progressive rationalization and the substitution of machine power for manpower in the entire national economy including transport (motorization), the technical needs of industry have meanwhile considerably increased.

4. The geographical politico-military situation is very much less favorable than in the years 1914-1918 and will probably remain so for a considerable time. At that time we were able to extend our bases for raw materials and production towards the West (Longwy, Brie, Tourcoing, Roubaix, Antwerp (Textiles)); and towards the East (Lodz) and Southeast (mines in Serbia and

** Limitations of these powers see page....

H1228 - 0007

Turkey, mineral oils in Rumania). Today we have to reckon with the possibility of being thrown back in our own country and even of being deprived thereby of most valuable industrial and raw material territory in the West and in the East.

Such an economic situation appears to be so desperate that preparations for war economy on this basis might easily seem to be futile. Such an objection cannot however be sustained. True, one must remember that in such a situation, if only for economic reasons a war can only be carried on for a few months without import facilities; in foreign policy and in the policy of alliances with other countries this cannot be realized and taken into account. But just as little as with reference to this realization a limited military armament should be rejected as futile, so little should this same realization detract from economic armament. Even if it is only possible to prolong this period by a few weeks by strict organizational coordination of economic factors and by ruthless economy measures to be put into force immediately, then at least economic armament will not have fallen behind the limited military armament.

Powers of the Reich Ministry for Economy

The Reich Ministry for Economy is concerned with production economy. The only exception is the responsibility for the manufacture of equipment for the Wehrmacht, which pertains to the Wehrmacht authorities. Naturally in the case of emergency this latter task will absorb the greater part of industrial finished-goods production; but as the Reich Ministry for Economy has to supply all raw materials and half-finished goods including the raw materials etc necessary for producing army equipment, and is also responsible for the production of all finished technical goods and goods for civilian needs, its task remains sufficiently great and important. In view of the close connection between the responsible authorities (Reich Ministry for Economy, Army Weapon Office, Army Administration Office, Reichs Air Ministry) this division of duties demands closest personal and operational collaboration between the offices concerned. That such collaboration was established was an important result of the work of the first year. Its significance for the smooth execution of the prepared measures in case of emergency cannot easily be over-estimated. The factual and personal collaboration between the Reich Ministry of Economy and the Army Weapons Office (Heereswaffenamt) was particularly close, especially because the Reich Ministry for Economy when beginning its task was ably supported by excellent preparatory work on the part of the Army Weapons Office, notably in the case of raw materials. This provided the only data available. The sincere wish of both parties to exhort and encourage their offices outside Berlin (some of which were established at that time) to similar close collaboration gives hope that in country districts too such indispensable understanding of the two parties for each other will be prepared during peacetime.

Theoretical and practical work.

The task of the Reich Ministry of Economy is divided into two parts: a theoretical and a practical. The theoretical includes the legal and administrative preparation of war economy. This comprises the drafting of all laws, regulations, official notices and decrees by which economy measures are introduced, i.e. confiscations, prohibitions respecting use of certain articles, orders for the cancellation of confiscations. Preparations are first drafted on paper, then leading personalities are appointed, necessary personnel and offices are supplied, and finally special organizations are established for regulating those materials with regard to which economy is to be practiced and for the unified central control of the entire war economy. This theoretical work is recorded in laws and decrees, in lists of the persons necessary for control as well as for their personnel, and lastly in time-schedules for the progress of the work.

The actual practical part of the preparation comprises all measures taken in peacetime for strengthening our economic armament. First of all supplies of raw materials and when necessary of half-finished goods are made available, then industrial plant is set up in order to gain more production capacity in case of emergency, then again preparations are made for transferring certain

H1228 - 0008



branches of industry from threatened to safe areas, and finally the cartel-customs and taxation policy of the moment is continuously directed towards the above-designated aims while economic development is constantly watched from the point of view of the effect of the momentary situation on the industrial armament position. It is obvious that these practical tasks can for the most part only be carried out within the framework of the departments entrusted with their execution in the course of day to day policy. Even if possibly the drafting of the decrees and so forth could be carried out by a special office, it is certain that it is only possible successfully to influence current economic policy or to observe economic developments if close personal contact is maintained with the responsible officers and departments of the Reich Ministry of Economy. That has become particularly evident today since the question of the administration of raw materials and substitute materials has become the focal point of the daily work of this ministry; but the same applies also to calmer economic times.

Short Term and Long Term Aims

2. Manner of Procedure.

The manner in which the allotted task was undertaken was determined by two apparently contradictory demands. On the one hand an emergency solution had to be found for a possible A-Case which might occur soon and unexpectedly. The necessary statutory preparations and the most suitable organizations had to be planned at least in outline. It was essential to end as soon as possible the intolerable state of complete unpreparedness which existed when the work began, by establishing a framework and the germ-cells of the first preparations. That was the short term aim. That aim may be looked upon as having been attained with the work now presented, subject only to the limitation that the establishment of the numerous organizations and the appointment of their leading personalities have still to be accomplished.** But this short term aim must be supplemented by a long term aim. Very soon after the work began and since then to an increasing degree it became clear that the attainment of the short-term goal would only mean that an emergency structure had been erected. All the many regulations affecting economic life such as are set forth in the present collection of decrees certainly make it possible to prevent a wasteful economy at one stroke and just as quickly to establish a thrift economy. Thereby much has been attained. But preventive and economy measures are merely repressive in character - they are as it were negative measures in respect of the development of economic forces. An autarchic national economy such as we have to contemplate for Case A is only taking a positive line if industrial establishments are told not only what they may or may not do, but also what they must do. It is therefore necessary that exact instructions for every individual commercial undertaking are laid down by a central authority. This alone would constitute a genuine positive economic mobilization. This is indeed a plan and an undertaking of such dimensions as we can hardly conceive today. Not only and not so much because of the extraordinarily large number of industrial concerns - if we ignore the smaller ones, there are about 200,000 commercial undertakings - but above all because the immense diversity of the various branches of industry and the way in which they are interwoven make it almost impossible to survey them. Every individual order aimed at the manufacture of a certain product means also that 10, 30, 50 or 100 other individual orders have to be sent to the suppliers (and their various branches) for the numerous raw materials and half finished goods of which composite finished goods consist; not counting the instructions for means of transport and loading devices. A positive economic mobilization of this kind would mean years of preparation. At the present time several essential conditions for this are still lacking. Nevertheless in this first year one of the most important pieces of preparation, that is the establishment of a card index of industries and of a comprehensive new kind of statistical record has been begun. These statistics will give a preliminary survey in figures of the network of the various branches of industry and their dependence on each other, a survey which incidentally will also be of the greatest value for the

** On this see page . . .

H1228 - 0009



repressive thrift economy. Thanks to the generosity and quick action of the Reich Minister of Finance in making available 1,2 million RM from budget resources, the work was started at the beginning of the year 1934. In this way, even while the preparations for the short-term goal indicated above were going on, it was possible without loss of time to establish a necessary condition for attaining the long term goal. Similarly the appointment of 14 "special commissioners" of the Reich Ministry of Economy in various districts has created an indispensable condition for the long term work. These posts are intended to be the first germ-cells of a decentralization and the medium through which the planned work of the central authority can be carried out.

Special difficulties.

The work was impeded and rendered more difficult by various circumstances;

1. The peculiar nature of the task lies in the fact that it must be carried out without any actual data. It is true that the study of the war economy of the years 1914-1918 (material incidentally which has hitherto unfortunately only been utilized to a small extent) yields valuable suggestions. But it is impossible simply to copy or so imitate the measures then taken, because of the differences already expounded between the situation of that day and of our own. The decrees submitted have therefore been drafted completely anew. Much more important as precedents, particularly for the administrative work, are the supervisory offices for raw materials and goods of all kinds established in the course of the last six months and which have recently been very much enlarged. The central office therefore keeps in constant contact with these offices and was in part responsible for their establishment. Care will be taken that the experience gained in these offices shall not be lost if they should suddenly be dissolved, but will be utilized for our work in war economy. But even these models and experiences can only be used with certain reservations. On the whole our preparatory work is breaking entirely new ground.

2. One consequence of this peculiarity was that even the first appropriation of budget resources which was indispensable for the practical part of our measures was delayed till after the beginning of the financial year (April 1) 1934. Not till then was the way clear for the final drafting and the undertaking of several practical measures. These were then carried out with great energy**. Owing to this the responsible officers' time was almost entirely taken up and the theoretical work was in consequence at times somewhat neglected. It was only possible to meet the increased press of work by enlarging the department to which at first only one full time higher officer had been assigned; now it has been built up into a real sectional department immediately responsible to the Minister and Secretary of State of the Reich Ministry of Economy. The head of the department is a full time ministerial councillor with eight assistants at his exclusive disposal.

3. The increasing deterioration of the foreign currency situation made it impossible to carry out any of the planned measures which needed immediate expenditure of foreign currency for their execution. Such measures were for example the building up of additional reserves of nickel, metals for the hardening of steel, rubber and other foreign raw materials. Even at the present time it is difficult to make available the necessary raw materials for carrying out the current rearmament program or to find the requisite foreign currency. This in fact is often the cause of serious anxiety and in such a situation it is only in exceptional cases that additional foreign raw materials can be obtained for our reserves.

4. Further difficulties resulted from the fact that in many cases when there were crises in the foreign political situation, particularly after Germany had resigned from the League of Nations, it was necessary to prepare urgent emergency measures in advance. In consequence it happened twice that deviations had to be made from the work planned to be carried out by October 1, 1934.

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**These measures are listed in detail in the reports of the committees (See Section II).

H1228 - 0010

5. Finally the necessity for camouflaging all the work made it very difficult, especially at the beginning. Instead of clear written instructions it was necessary to have oral discussions which took up a great deal of time; moreover in choosing confidential representatives and in accepting the help of industrialists it is in many cases wise to show the greatest caution and reserve.

It should be expressly emphasized that the above list of difficulties is not meant to shelve responsibility in any way or to exculpate the responsible authorities. Not the former, if only because these difficulties are almost all caused by the very nature of the task, and also because it must be gratefully acknowledged that the Reich Ministry for Economy in general met with an increasing measure of understanding for its (sometime very considerable) demands on the other particular departments concerned. Moreover, there would seem to be no need for any particular justification, because the responsible authorities are convinced that everything possible has been done within a bare year and a half to make up for 15 years of neglect, and also because they themselves are aware of the incompleteness of what has been attained hitherto, having over and over again measured their achievements against the magnitude of the task confronting them.

Method of work: Committees and their tasks

Externally the method of work consisted in forming first 5, later 6 committees at the suggestion of the Reich Defense Ministry. Under the chairmanship of the appropriate high official of the Reich Ministry of Economy, these committees first laid down the basic principles and drafted the plans for the work; this took place in a common discussion by nearly all the department chiefs of the Reich Ministry of Economy and the other departments concerned (Reich Defense Ministry, Reich Ministry for Aviation, Reich Ministry for Food and Agriculture, Reich Labor Ministry and Reich Transport Ministry). This method of work was at first carried out with great energy and had the advantage of making all the responsible department chiefs of the Reich Ministry of Economy acquainted with the problems of war economy, a matter of which they knew little beforehand; and this again had its effect on the politico-economic substantive day to day work. As the work progressed, particularly after the work of preparing practical peace measures, such as the production and equipment of new plant at the expense of or with subsidies from the Reich, had come more and more into the foreground - work which was often extremely difficult from the juristic point of view and took up a great deal of time - as it became necessary to entrust the comprehensive executory and detailed work to special officers appointed for the purpose. This was all the more necessary because at the same time the Reich Ministry for Economy was over-burdened by the immense and increasing volume of day to day work. And so in the period from the autumn of 1933 to the spring of 1934 the department "Abwehr wirtschaftlicher Kampfmassnahmen" (Defense department for Economic Fighting measures) was built up on the scale indicated above. Since then the meetings of the committees have become rarer. However, in consequence of their importance as shown above and because they are useful for the mutual exchange of information they are to continue in existence. The terms of reference of the six committees are as follows:

1. Main Committee. Direction of the work and the setting up of administrative principles.
2. Raw Materials Committee. Supply of raw materials with the exception of coal and transport fuel.
3. Power Committee. Energy supply, transport fuels, coal, gas and electricity.
4. Finished Goods Committee. Securing the production of finished goods (with the exception of and distinct from army equipment) together with the sub-committees; a.) for price regulation and b.) for securing personal (civilian) needs.
5. Technical Committee. Preparation of technical questions, including normalization and securing of engineering requisites.
6. Foreign Trade Committee. Preparation for the organization of foreign trade within the framework of war economy.

H1228 - 0011

The preparation of questions of financial economy (securing the necessary payment media, alteration of the banking law) is undertaken in direct cooperation between the Reich Minister of Economy, the Reich Finance Ministry and the Reichsbank. A survey is attached in the appendix to section II.

A survey of the work done by these committees or on the basis of their directives is given in the following section II. The decrees etc. are recorded in the special section V.

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## Section II

### The Current Work of the Committees

Work of the Main Committee.

The Main Committee is responsible for the authoritative conduct of all the work. It has to supervise the work of the other committees, in particular to see that they keep pace with each other and work in the same direction, and to regulate any possible overlapping. Moreover this committee has to lay down the principles of administration, this to include both the war economy organization of the State departments and the semi-State (Reichsstellen) organization. And finally, the terms of reference of this Committee include the duty of requesting and making available the budget resources required to carry out the practical work.

The Main Committee first of all outlined the respective duties of the other committees and assigned them their tasks. After this preliminary administrative work had been done, such close collaboration developed between the delegates sent to the main Committee by the two main departments concerned (Reich Ministry of Economy and Reich Ministry of Defence) that it became increasingly superfluous to call formal meetings of the Committee, seeing that the members of both bodies met very frequently for factual discussions of all kinds. Nevertheless the meetings of the Main Committee are not without their value for the progress of the work as a whole. They afford an opportunity of discussing questions of principle from time to time, and also - with strict self-criticism - of treating such questions relating to the common work as might otherwise be easily overlooked in consequence of urgent day-to-day matters. Thus, for example, when in the Spring of 1934 the foreign currency situation became increasingly threatening and led to the establishment of supervisory authorities with the object of curtailing imports, the dangers arising out of this situation for the whole supply position and therewith for defence economy were at once discussed in detail in the Main Committee. Moreover, the Main Committee was in so far instrumental in determining the direction of the work, as it (on the occasion of a crisin in foreign policy) had already ordered the preparation of urgent measures in case of a sudden and unexpected occurrence of Case A.

It was in the main committee that the foundation was laid for the establishment of an authoritative State organization for regulating war economy; the proposals for this recorded in the memorandum form the basis for the decree concerning the organization of war economy.

H1228 - 0012



2. Work of the Raw Materials Committee

Raw material questions form the focal point of the whole work; this was particularly the case at the beginning. That developed from experiences in the World War. At that time, war economy started directly from raw materials. It is however true that if present day preparations were to be confined to the field of raw materials even in its wider sense--that is to include motor fuels and coal which are dealt wirh by the power committee--they would no longer be sufficient for a future Case A; they must be supplemented right from the beginning by preparatory planning in the respect of finished goods. In any case actual raw materials wuestions were developed with all the greater energy because in this case it was possible to make direct use of investigations undertaken by the army Weapon Office.

The first task was to gain insight into probable needs and them into the possibilities of supplying these needs. When the work started the Reich Defense Ministry had already given a list of its requirements; these requirements however meanwhile increased tremendously and the list was replaced by a new one. Estimabes of civilian requirements for the maintenance of the whole economy were also available. These estimates were first checked and then revised as far as possible according to available statistics. These estimates have constantly to be made more detailed and more far-reaching. The results of the large scale production and network statistics of the year 1933-34 (mentioned above page) will be of great assistance in this matter. For many branches of industry these estimated requirements were compared with supply possibilities, at first for the internal German Region. These investig tions have been carried out for iron ores and iron production (down to the cold rolled blocks), for the non cerrous metals (copper, zinc, tin etc.) and their ores, for chemical raw materials, for textiles raw material, for rubber and asbestos, for skins and leather, for stones and earths in so far as they are of importance for war purposes, and finally (though at present only as a rough estimate) for cellulose. In the course of last winter, a special investigation was begun a view to ascertian the precise requirements of the so-called great public "users" (Reich railway, Reich post, Reich Traffic administration, and Reich Financial administration) with respect to raw materials; this wqs done by issuing detailed questionnaires. The results have not yet come in. Similarly, communal requirements have not yet been ascertained; this investigation must be carried out with special caution on account of the need for secrecy.

A special place was taken in the investigations by inquiries into the direction taken by consumption, i.e. what percentages of the whole consumption of the raw material in question was used by the various branches of production,. It was particularly important to ascertian this because only in this way was it possible to direct the streams of raw materials into the desired channels; it is a condition of every prohibition of manufacture and utilization that the amount of raw materials thus saved should be a known quantity.

In order to ascertian how the requirements can be covered it is necessary to know what reserves are stored with the producers hf raw materials and the consumers, and what amount is involved in current trade. This task at first seemed particularly difficult in view of the fact that reserves statistics existed only for a few branches of industry; after negotiations however, which took up a great deal of time it was possible

H1228 -0013



to establish new statistics for other branches or else to supplement those already existing. In consequence of the establishment of the supervisory offices six months ago this difficulty had been removed, at least for the goods dealt with by these offices. as they have made detailed investigations into availavle reserves. It is true that these result with few exceptions have brought no particular surprises in comparisio with the estimates previously made. It is also necessary to ascertian as precisely as possible what facilities there were for production and in particular how the production was distributed locally. This has been done in a satisfactory measure with the help of the trade associations which, when taken into confidence gladly made available very much more valuable material than for other politico economic purposes--at least in respect to the most important branches, particularly iron and iron ores , non-ferrous metals and their ores, chemical and rubber production. In so far as the production branches for war and essential needs are concerned, the statistical investigations into production undertaken by the statistical Reich office have cleared up the question of locality.

On the basis of the realization of the threatening danger points gained by these methods and on the basis of the demands put forward by the Reich Defense Ministry in agreement herewith, a number of measures were initiated to remove the most pressing anxieties;

1. A confition of manufacturing explosives and ammunitions is the possibility of making avialable a sufficient quantity of nitric acid. The appropriate plants for peace requirements are situated mainly on the Rhine. It was urgently necessary to establish a further plant for 30,000 (German) tons per year in safe middle German territory, after planning work which lasted for mohths it was possible in June of t is year to begin building a plant of this kind in Doberitz near Rathenow for approximately 2.7 million RM. The building should be finished next spring.

H1228 - 0014

2.) As it is to be expected that the consumption of steel will increase greatly, and as in Middle German areas there are only very limited facilities for producing high-grade steels, it is highly desirable that large quantities of ores and other materials for the kinds of steel needed should be stored in this area. With the support of the Reichsbank it will be possible to persuade the Middle German Steel Works to undertake something of this kind.

3.) The circumstances mentioned sub-2) also make it necessary to enlarge the capacity for the production of electro-and S.M.steel. Plans have therefore been drafted for constructing the necessary capacity at the Krupp-Gruson works in Magdeburg and Borsig-Tegel. Building has not yet been begun.

4.) Special attention has been paid to ferro-amalgams necessary for the production of high grade steels, i.e. to ferro-chromium, ferro-wolfram, ferro-molybdenum, ferro-vanadium. The firm of Wacker-Chemie has been persuaded to produce ferro-chromium with a low carbon content and to make sure of marketing this production in spite of the higher prices as compared with the goods hitherto exclusively imported from abroad. The capacity for producing ferro-chromium with a high carbon content has also been considerably enlarged.

Proposals have been made to the IG Farbenindustrie A.G. in consequence of which the production of ferro-wolfram, which has hitherto been carried on exlusively in the danger area(near Aachen), will be partially removed to Middle Germany. The same concern will also put up a considerable space for reserves, so that the capacity needed for the year 1935 will almost be attained.

The same concern is enlarging its working plant for the production of ferro-molybdenum, so that we can reckon on having the projected capacity for this product too by the beginning of the year 1935.

In the case of all these products, however, certain difficulties have arisen in procuring the necessavy ores, owing to the foreign currency situation.

5.) For the production of motor tyres (apart from rubber) lam-black is an indispensable raw material. At the suggestion of the Department the "Hiag" (Wood charcoal industry - Holzverkohlungsindustrie A.G.) has for the past year been considering how to replace by home production the American lamp-black which, imported for these purposes, has hitherto been used 100%. These efforts have meanwhile had some technical success, so that under the present pressure imposed by the currency situation the erection of a large plant will be begun immediately. The localities for this plant will be chosen with reference to defense policy. It may be assumed that by the end of 1935 we shall be independent of the importation of foreign lamp-black in the whole of Germany.

6.)In order to secure the production of Trinitrotoluol, 2500 tons of pure Toluol were collected in Dresden. The desired quantity has already been stored in the designated place.

7.) In the face of the scarcity of fats it was necessary to further the production of glycerine; so an arrangement was made with certain explosive factories to distil the waste lye accumulating in the smaller and medium soap factories.

8.) For producing aluminium it is absolutely necessary to have available the arc-light electrodes (anodes) used in electrolysis. The whole production of these electrodes has hitherto been carried on close to our frontiers. Recently, after long negotiations on the part of the Department, it has been found possible to create production facilities in Berlin.

9.) For an indispensible chemical product, namely sulphuric acid, pyrities is the primary raw material. The only place where it can be found in Germany is in the danger area ( Westphalia). The I.G. Farbenindustrie A.G. has been persuaded to collect additional pyrities in the

H1228 - 0015

course of this winter. Moreover the situation will be considerably eased, as one large works belonging to this concern will be turned over to the production of sulphuric acid from plaster.

Since the appointment of a Raw Materials Commissioner in the Reich Ministry for Economy the work of the Raw Materials Committe has been carried out in close co-operation with the former. The investigations initiated by the Raw Materials Commissioner and the measures introduced for enlarging our raw materials basis through home production as well as for furthering the production of substitute materials will directly benefit war economy preparations. His investigations, carried out under the pressure of the present emergency situation will form a treasure-house of valuable material for a long time to come, and in any case for the purposes of war economy.

The raw materials situation is being constantly watched with the closest attention. With the exception of wool, rubber, and asbestos, the present results of investigations by the supervisory boards afford for the moment no reason for any special anxiety in respect of a deterioration of the raw materials situation. Nevertheless the serious danger exists that with the increasing shrinkage of imports and the limitations imposed on the consumption of raw materials by labor market policy, German industry using raw materials will be forced to make inroads on present stores to an increasing degree. This would lead to a serious weakening of our raw materials reserves which in the case of emergency, would on an average only last for from three to five months if used extremely sparingly. This development must and will be most carefully watched.

As regards the question of securing necessary personal requirements, which affects both raw materials production and the production of finished goods, and as regards the regulation of prices in case A, compare the appropriate paragraphs of the report of the finished goods committe.

3. Work of the power committe Motor fuels.

The securing of sufficient motor fuels has gradually become the most important task of the power committe . The immense importance of motor fuels is due to the increasing motorization of the Wehrmacht, the increasing importance of the Luftwaffe ( and its increasing potentialities for the future can hardly be envisaged), and finally to the ever growing motorization of civil transport which would be subjected to the severest delays if motor fuels became scarce. Another point to be noted with regard to motor fuels as compared with other raw materials is that - like coal - it must be immediately available for war purposes. Other raw materials on the other hand have often been subjected to production processes for months before they could be put at the disposal of the Wehrmacht in the shape of perfected equipment.

The gap in our preparations represented by motor fuels is terrifingly large . Our needs for the year 1935 amount to 1750 000 tons, whereas coverage for one year by our reserves and our own production amounts only to about 1,000,000 tons. As regards special aviation petrol our needs can at present only be covered by storage, which however has hitherto been accomplished only to a small degree.

The power committee has kept itself currently informed of the progress of the negotiations on the developement of German petrol production from lignite and coal. Hitherto the Leuna works have increased their production from 100 000 to a future 300 000 tons altogether.

Great efforts have been made to obtain foreign motor fuels. At the

H1228 - 0016

turn of the year 1933/1934 the idea arose that foreign importers should be bound by law to kepp a certain amount in store, and this idea was followed up by the drafting of a corresponding bill. When this draft was rejected by the Reich Cabinet, negotiations began with the larger foreign oil concerns with the object of inducing them to store motor fuels. It was intended that the Reich should bear the cost of the interest on and the ... tization of the construction of storage tanks and the stored quantities of motor fuel. The negotiations failed in the course of the month of August. The erection of storage tanks paid for by the Reich from its own budget reserves was then started with great energy. The selection of storage localities and the projected work ( which was of an entirely new character) went forward so quickly that after 4 weeks the work of building tank space for about 200 000 tons of motor fuel was begun in a potassium mine ( Stassfurt-Leopoldshall) in middle Germany. This tank space is to be finished and ready to be filled by spring 1935. From the point of view of air raid precautions it is an ideal storage place. In addition, two further underground storage-tanks each capable of taking 75 000 tonswwere planned. Building will start on one of these within a few days. That too is to be finished and available by the spring of 1935. For these purposes the Reich Minister of Finance has consented to provide altogether 25 000 000 RM.

Coal

Assuming that we might be limited to inner Germany, i.e. assuming the loss of the left bank of the Rhine, of the Ruhr, and of Silesia, our greatest economic anxiety would be the continued fulfilment of our coal requirements. In the assumed case, about 95% pf our coal production would be lacking. Coal is indispensible as the basic material of our whole economy. The possibility of replacing it by lignite is estimated to be small. The problem is being investigated by the technical committee. If then the supply of coal were to give out our whole production economy would come to a standstill after 2 months at latest, as our reserves would last perhaps for four weeks even if consumption were reduced to a minimum.

As remedial measures in the face of this urgent emergency, storage with the Reichsbahn, with large consumers and in communal works, as well as the re-storage of coke might be considered. To store large quantities of coal at the expense of the Reich would mean i. immense administrative costs, as coal can only be stored in one place for a limited time ( re-storage is necessary on an average once a year). The remedial measures mentioned above have been undertaken in the course of long and detailed negotiations. The most gratifying and greatest success attained in these negotiations was the increase of the coal reserves of the Reichsbahn in inner Germany by about 500 000 tons. Moreover 500 000 tons of coke are being transferred from the Ruhr to Magdeburg, and for this the Reich Minister of Finance has made 4,1 million RM available. On an average the negotiations with towns in inner Germany of over 100 000 inhavitants have led to the doubling of the stores in their communal works. In the case of the negotiations with the industrial large communers, no such striking results have been attained. The negotiations will be resumed. In any case however the two lastmentioned possibilities make so little difference that no decisive help is to be expected from them. If we actually succeed in raising our reserves in inner Germany by about 1½ million tons, as we expect to do with the help of the abovementioned measures, this will practically speaking only cover our needs for at most a month in the case of emergency.

Electricity and Gas

The question of the supply of electricity and gas was not so urgent as those of motor fuels and coal. The committee, after it had surveyed the co-operative economy in inner Germany and the production

H1228 - 0017

capacity of the electrical industry ( which only gave rise to special anxiety at a few points), was able to content itself with carrying out a few safety measures in case certain individual and particularly important connections should be destroyed. Thus preparations were made for connecting the network of th Reich-Electro Works ( Trattendorfer Leitung) with the network of the Electricity Works in Wildau by erecting bases. Moreover steps were taken to speed up the building of the transformer works in Spandau. It was necessary to postpone the laying of the cables from Harbke to Hannover ( the plan for which had been finished for years), which was intended to connect the Hanoverian are with inner Germany and to provide a substitute in case this area could no longer be supplied with current from the West; the reason for this was that available resources were needed for more urgent purposes. Plans for developing gas supply from a distance were frequently discussed in the committee from the point of view of war economy..

4. Work of the Finished Goods Committee.

Investigation of Requirements

Whereas raw materials requirements have been fairly accurately ascertained by means of production and consumption statics and recently on the basis of the investigations by the raw materials supervisory boards, the manifold needs in respect to finished goods have so far not been estimated even approximately owing to the lack of appropriate data.

No satisfactory result was obtained even from the attempt to have finished goods requirements estimated by economic experts.

In order therefore to clear up the question of requirements, the following investigations were initiated:

1. To ascertain Wehrmacht requirements in finished goods as normaly manufactured and in half-finished goods for special equipment.

2. To ascertain finished goods requirements for the Reich reilways, the Reich posts, the waterways administration, the police, air raid precautions, etc.

3. Inquiries were made into production statistics in the whole German industry, particularly in the finished goods industry.

Ad 1: The Army Weapon Office submitted lists of important finished goods as normally manufactured, needed by the Wehrmacht; according to communications from the Army Weapon Office it is at the moment not possible to estimate the amounts of these goods needed.

Ad 2: The public users listed above are still occupied with answering the questionnairs submitted to them.

Ad 3: The statistical Reich office had dealt with 241 branches of industry (in which German industry can be grouped from the point of view of production statistics) in the following manner:

For 170 branches questionnaires have been drafted and distributed.
For 21 branches questionnaires for discussion with representatives of the industries have been drafted, and

for 50 branches the drafting of questionaires has begun

The investigations refer to the number, training, sex and age of the persons employed; to reserves, to the purchase and consumption of raw materials, auxiliary materials, and fuel; to production, capacity and marketing, as well as to reserves of finished goods. The statements made by every industrial concern are recorded on card indices (factory lists), and these cards of which several copies will be made will be classified both regionally and according to branches of industry. At the same time the statements made by the individual factories will be summarized in such a way that a clear suvery can be obtained both as to regional grouping and as to the distribution and network of German industry according to its various branches. It is only within the framework of these results that the German requirements in finished goods can be accurately ascertained.

The date on which these results will be available depends in the main on the careful filling up and the early return of the various questionnaires. If there is no very great delay, it is probable that the results of these investigations can be submitted in the spring of 1935.

In order that the results should not become out of date, it is intended that the investigations should be repeated if possible every two years, proviced that the Reich ministry of Finance grants the necessary appropriations. As by then the questionnaires for every branch of industry will be ready to hand and can all be sent off tbgether on some particular day, and as German industry will in the case of repitition be acquainted with the system of the questions, future investigations could be carried out in a very much shorter time. This means that new data can be supplied very much more quickly for war economy preparations that has been possible in the case of the present investigation.

H1228 - 0018

H1228 -0019

Coverage of requirements.

In order to make a comprehensive plan for covering the finished goods requirements for Case A it is necessary to know what these requirements are. In order however that the most dangerous gaps in coverage might be ascertained before the conclusion of the above described investigations the attempt has been made to find out how the production facilities in German industry are distributed as between I-D (inner Germany) and A-D (outer Germany). This attempt was made on the basis of the (commercial) factory census of 1925 and more recently on the basis of the corresponding census of 1933.

From this the following survey was obtained:

Of 382 industrial branches covered by the census it appears that according to the number of employed persons, 233 branches are as to 50% more situated in I-D, while 149 branches are situated as in more non 50% in A-D, i.e. in the danger zone. Of those branches which are for the greater part situated here, 59 deal with raw materials and fuels as well as with the production of half-finished goods, while 90 are devoted to the production of finished goods. Thermost important branches dealing with finished goods which are mainly situated unfavorably are:

H1228 - 0020

Located are:

of the Iron and Steel Goods Industry:

| | |
|---|---|
| Cold rolling mills. | (up to 100% A-D) |
| Production of chains. | (up to 94% A-D) |
| Production of cut goods. | (up to 93% A-D) |
| Foundries and moulding works, also stamping forges. | ( " " 88% " ) |
| Production of locks and metal work. | ( " " 85% " ) |
| Wire-drawing mills. | ( " " 84% " ) |
| Production of industrial, agricultural and domestic articles. | ( " " 75% " ) |
| Production of wire& tacks, nails, rivets, screws and screw nuts. | ( " " 71% " ) |
| Iron, steel and tempered-steel foundries. | ( " " 64% " ) |
| Production of hand-cutting and machine tools. | ( " " 64% " ) |
| Production of pins and machine-pins | ( " " 61% " ) |

of the Metal Goods Industry:

| | |
|---|---|
| Metal wire-drawing mills | ( " " 100% " ) |
| Aluminium foundries | ( " " 71% " ) |
| Metal foundries. | ( " " 63% " ) |

of the Manufacture of machines, apparati and vehicles:

| | |
|---|---|
| Production of mining and smelting machines and installations. | ( " " 88% " ) |
| Manufacture of military und industrial railway trucks. | ( " " 84% " ) |
| Manufacture of railway trucks and trams. | ( " " 76% " ) |
| Manufacture of boilers &. tanks. | ( " " 70% " ) |
| Manufacture of machines for the leather &. Rubber industry. | ( " " 69% " ) |

of the Precision Tool Industry:

| | |
|---|---|
| Production of clocks and clock parts. | ( " " 88% " ) |

H1228 - 0021

| | | |
|---|---|---|
| of the Chemical Industry: | Production of coal-tar colours. | (up to 88% A-D) |
| of the Textile Industry: | Silk weaving | (up to 84% " ) |
| | Linen weaving | ( " " 66% " ) |
| | Jute weaving and sack sackuproduction | ( " " 66% " ) |
| | Production of sail and tent cloths. | ( " " 65% " ) |
| | Production of art silks. | ( " " 65% " ) |
| of the Leather Goods Industry: | Production of Leather shoes and leggings. | ( " " 66% " ) |
| of the Rubber Goods Industry: | Works specializing in motor tyres. | ( " " 71% " ) |
| of the Wood Industry: | Production of wood-shaving boxes. | ( " " 93% " ) |
| | Production of wooden houses and hutments. | ( " " 80% " ) |
| | Production of railway way sleepers and telegraph poles. | ( " " 78% " ) |
| of the Stone and Clay Industry: | Stone-ware pipe works. | ( " " 75% " ) |
| | Production of fire proof and acid-proof articles. | ( " " 71% " ) |
| | Production of stone ware goods. | ( " " 65% " ) |
| | Production of sheet-glass | ( " " 65% " ) |

H1228 - 0022

Wehrmacht requirements:
(Armament Works) The coverage of the requirements of German economy and civil population may be considerable curtailedin case A, not only by the loss of production centers mainly situated in the danger zone, but also in any case by the fact that the Wehrmacht will need the products of the factories.

On the basis of an investigation carried out by the Army Weapons Office at the end of 1933, the Wehrmacht discovered and requisitioned for Case A approximately 2800 industrial concerns with 750 000 workers. The factory census of 1933 shows approximately 1 900 000 concerns with about 5 000 000 workers for the whole of German Industry. Taking the figures of the workers as a basis, at least 15% of industrial production has accordingly been requisitioned by the Wehrmacht. This percentage will however be considerably exceeded in certain branches. In the following cases for example the increases will be

| | | |
|---|---|---|
| Building of Machines, apparatuses and vehicles | increase to | 59% |
| Iron and Steel industry..... | " | " 56% |
| Optical instruments and preasion mechanics | " | " 46% |
| Rubber and Asbestos | " | " 45% |
| Metal Foundries | " | " 36% |
| Leather Industry | " | " 27% |
| Chemical Industry | " | " 25% |

More than one-third, in some cases even more than half- of the concerns requisitioned by the Wehrmacht lie in the danger zone. If this should be lost in case A, the Wehrmacht will be obliged to replace the concerns by taking over those not yet requisitioned in I-D.

Moreover, the requisitioning of factories has by no means ceased yet. In the last few weeks a further 300 concerns with about 100 000 workers have been added to the number; these have not been included in the calculations already mentioned. Nor has it yet been ascertained which and how many concerns will be required by the Wehrmacht as suppliers to the concerns mentioned. And finally it is not yet known what works will be required by the Reich Air Ministry in Case A.

And so the fact must be reckoned with that in inner Germany the production capacity for covering the requirements of the population, of the publick users and of that part of German economy which is not working directly for war purposes, will only be of a very modest nature. It will therefore be the duty of the external offices which the Reich Ministry for Economy is now establishing in the Reich, to prepare - in closes collaboration with the economy officers of the Wehrmacht - a rations distribution and utilization of such production capacity as is available.

Increase of Capacity

In addition to this, care must be taken to increase production capacity at least in respect of finished goods necessary for war and for sustaining life of which there is not a sufficient number in I-D.

For this purpose contact has been made with the Reich Settlement Commissioner in order to influence industry in the direction of the needs of defense ecenomy. This is to be done on the basis of the Law concerning Temporary Measures for regulating Settlements, which provides that industrial concerns must report their presence and also envisages the possibility of prohibiting the enlargement or the adding of new plant to industrial concerns.

It is further planned, in agreement with the Reich Adjustment department (Reichsausgleichsstelle) of the Reich Ministry for Economy, to increase the production capacity of the industries concerned with war and the necessities of life in such a way that the more important orders (from the point of view of defense economy)

H1228 - 0023

given by public bodies are as far as possible placed in I-D, while the less important orders from this point of view should be placed for the greater part in A-D.

Finally the technical committe is concerned with examining from the Technical point of view (and preparing for Case A) the possibility of turning over the less important branches of industry in I-D to production for the purposes of war and vital necessities.

Securing Labor

In Case A the utilization of available production capacity depends to a large degree on the availability of sufficent numbers of trained workers.

In agreement with the Reich Defense Ministry these workers (without predudice to a later definitive regulation) are to be secured in such a way that the workers in the armament industry and in the industries important for war and vital needs are, in Case A, all to be released from military duty, with the sole exception of such people who, having been trained, have been released from the Wehrmacht within the last 5 years.

The Army Weapons Office will keep the District Commands informed about armament concerns. Of the 33 industries which are to be looked upon as important for war and vital needs only such concerns have so far been listed by the statistical Reich office as employ 20 persons or more. The 3 500 concerns in question are at present being arranged according to the new classification of the "substitute districts" (Ersatzbezirke) of the Wehrmacht. As soon as this work is finished the concerns will be listed and passed on to the Army Weapons Office which in turn will inform the district commands. In this way lists will be available of all persons to be released.

Moreover, in order to prepare for the final regulation, the Reich Labor Ministry at the suggestion of the Reich Ministry for Economy will ascertain for nearly all branches of industry the categories of specially trained workers who are from a technical point of view indispensible for the maintenance of production. Later these categories are as far as possible in al cases to be released from military duty. Even in the armament industry and the industries important for war and vital needs, from which ( as already mentioned) at least in the first few weeks after the incidence of Case A, no workers are to be called up, at a later stage only these categories will remain free; the other workers liable for military duty on the other hand will be able to take up their military duties after an exchange has been effected with other persons.

Regulation of Consumption

In the face of the priority requirements of the Wehrmacht care must be taken that in Case A any production facilities in short supply in I-D must in the first place be utilized for war purposes. The civil population will be mainly dependent on the reserves of finished goods which are already to be found on the market, in the hands of craftsmen and in industry, and which are of lesser importance for the Wehrmacht. On account of the unknown duration of Case A extreme thrift must be exercised with regard to these reserves from the very beginning, From the moment of incidence of Case A therefore civilian consumption of vital goods must be severly curtailed.

In order to prepart for such regulation of consumption a "decree to safeguard the vital needs of the civil population" has been drafted. (see section V No....) The decree provides that bread, fats, potatoes, meat, cereals, woven and knitted goods, shoes, soap, soap powder, and other washing media containing fats, as well as coal for domestic consumption can only be supplied to the population in Case A against coupens or with special permission. The coupen books which are

H1228 - 0024

divided into sections corresponding to the various species of goods, are to be distributed by the police immediately on the incidence of Case A.

According to information supplied by the Reich Printing Office the cost of producing about 70 000 000 coupon books on water marked paper ( Din-Size A 5)

will amount to about 126 000 RM. As soon as the Departments concerned have made their attitude known, the necessary appropriations will be requested from the Reich Ministry of Finance. When them money has been granted, the printing of the coupon books by the Reich Printing Office will be begun and the books will then be deposited with the Police.

In Case A therefore the regulation of consumption for the first 4 weeks has already been secured. It is also planned to make preparations, at least on the administrative side, for an indefinitely prolonged regulation; this however would entail a very much higher cost. The organization of this will be carried out in such a way that it is done in co-operation with the Reich Departments which are to deal with the management of the various branches of industry.

Price Policy

The regulation of production, distrubution and consumption also entails a regulation of the price question. This question has been studied in a memorandum entitled "The Price Problem in War Economy". As a result it has been ascertained that it will not be possible to prevent a rise of prices in Case A as a consequence of the shortage of material and the increase of requirements for war purposes. It will however be possible to retain control of the development of prices beginning from raw materials through the various stages of production and commerce down to the last individual consumer by means of a suitable price investigation organization. This organization will be created in connection with the price supervisory authorities already in existence.

Work of the Technical Committee.

Securing of Production Media.

The preliminary work in the actual field of Technology must be done mainly by the Reich Defence Ministry, as in case of emergency the technical problems relate far more to the manufacture of army equipment than to the production of civilian needs. Nevertheless even for these latter needs there is - apart from a number of individual questions to be discussed below - a large circumscribed field of work, if the supply of all production media is included. The Technical Committee has therefore made it the focal of its work to ascertain - taking into consideration the concerns taken over by the Wehrmacht - what facilities there are for procuring production media.

Normalization

Difficult as it is to overcome opposition against normalized goods for daily use in the finished goods industry, the German Normalizing Committee in its present task has made it its first aim to see that as far as possible all important manufactured articles for daily use in peacetime trade are unified. In particular, all public bodies should obtain their supplies more than they have done hitherto with a view to using exclusively normalized articles. Negotiations with the Reich Railways and Reich Posts have led to their working in this direction. The communal authorities for procuring supplies and the larger industries are also being exhorted to carry out unification. In the course of discussions and negotiations however it was repeatedly found that a great deal still remains to be done in the case of several public supply departments including the Wehrmacht.

The Reichsbahn, with the help of punched cards and by means of numbering all the articles used in the working of the Reich railways - including tools and equipment - has central control over all supplies and can therefore direct all purchases with a view to unification (reduction of numbers of species). Steps have been taken - on the model of the Reichsbahn - to induce all other public users - and later both the communal authorities and the larger industries - to procure their supplies on a clear and easily surveyable system. Only if the great public users act together will the producers be compelled to pay more attention to more unified peace goods.

Production branches mainly dependent on machinery

In order to eliminate further danger-points in German economy, in-

H1228 - 0025

vestigations were conducted into production branches mainly conditioned by machinery. Such branches or concerns are the following:

a) those that according to present-day methods produce their goods by machinery only.

b) those concerns that in producing their goods are mainlydependent on machine-tools and certain work-machines, i.e. concerns with a machine-park.

c) those concerns that are obliged in their machine-park to procure new parts and substitute parts constantly and on a large scale.

d) concerns which can only increase their output by procuring new supplies of machines.

The most important task is to clear up the question of substitutes; this is the condition for statutory regulation. For this the district organization must be called upon in order to ascertain by means of experience the best method of organizing economy. One method is to set up an estimate for substitute requirements for a specified period (for example, one year), as well as to organize planned co-operation between the authorities concerned with war economy with a view to satisfying any unexpected requirements which might arise suddenly.

Fuel Turnover

from coal to Lignite If, on the incidence of Case A, the border territories (Ruhr area, upper Silesia) should be lost, only lignite would remain for the coverage of fuel requirements after the coal reserves in I-D had been consumed, Although the capacity of the lignite industry would not be nearly enough to cover the loss of coal for I-D, all possible means must be sought for in order to reduce the gap that would ensue. One of these means is the greatest possible replacement of coal. It must therefore be ascertained where and to what degree such replacement is possible, either with or without altering the firing plant. The investigation extends to

a) Boiler firing

b) Boilers for industrial purposes

c) Gas works boilers

d) Domestic Firing

The aim of the investigation is therefore to ascertain:

1. Technical possibilities in making the changes

2. The effect of the changes on the concerns.

Contact has been made with the railways (German Railway Company) and with the shipping offices (German Traffic Ministry). The German Railway and the Reich Traffic Ministry estimate about 30 % operational reduction through the turnover to lignite. Further measures, i.e.experiments, as well as the supply of spare parts for locomotives intended to facilitate the turnover, have still to speed on by the departments concerned.

For the rest of the economic preperations industry and science have been asked to co-operate. It is necessary to gain technical information on the influence of the turnover on the operational capacity of steam and power plant.

Preliminary work has also been done in developing according to certain viewpoints.the boiler card-index set up by the Trade Supervisory board with a view to gaining a survey over the available boiler plants, how they are built, what they are used for, and whether they are suitable for the turnover.

H1228 – 0026

Investigation into the Dependence of Germany on Foreign Production Media and Technical Products.

A General circular questionaire sent to the public users showed that the Reich Railways and Reich Posts only use domestic products and are therefore independent. No answer has yet been received from the other users.

Foreign machine-tools, which in part on account of their operational capacity, their cheapness, and the high standard of work which can be achieved through them, and in part on account of patent rights, are in an exceptional position, were introduced after World War 1 to a certain degree, and have been used up to recent times by the German machine industry, above all by the armament industry. Systematic investigations have been undertaken in order to ascertain the types of machines question. In order to consider the interests of the Wehrmacht, contact has also been made with the Reich Defense Ministry and the Reich Aviation Ministry in order that together with producers and consumers information might be obtained regarding machine tools, i.e.

1) to ascertain the necessary operational and precision demands,

2) to estimate presumed future requirements,

3) to study what possibilities there are of finding a remedy.

Similar investigations have been begun in the case of production media in other branches, for example, the textile industries. The investigation of remedial measures together with the producers and consumers will follow in a way similar to that undertaken for machine types.

Statutory, Administrative and Personnel preparations.

Drafts for regulating production media (confiscation and allotment) and the machine industry (production prohibitions) as well as for the regulation of export of products of the machine industry, the electro-technical and the vehicle industry are in preparation.

H1228 - 0027

H1228 - 0028

The Reich Commissar as well as the three Department Chiefs of the Reich Agency for Production Means are determined for the present.

Work of Technical Development — In order to give new incentives to development in the German technical field with respect to the defense of the country and in order to render economic war preparations more fruitful by the exploitation of technical advances and research work, the currently best specialists, scientists and men of practice from the technical committee will be drawn upon for advice in the future. It is not a matter of a committee, but rather an exchange of research findings for the purposes of enlightened collaboration under the direction of the chairman of the technical committee.

6.) Work of the Foreign Trade Committee.

The Foreign Trade Committee has, as opposed to the other special committees, assumed its activity last, since the knowledge of the import needs, which depends on the knowledge of the possibilities of supplying the demand internally, is a necessary prerequisite for attacking the problems which are to be handled by it. Moreover, exact figures about value and quantities of import needs are available only as soon as the comprehensive production increases have found their final level.

From the mass of the existing tasks and problems, which are burdened with uncertainty more than all other questions of war economy, that of the organization of foreign trade must be solved as the most urgent.

The memorandum prepared in the Foreign Trade Committee about the organization of foreign trade in war shows

a) a short presentation of the organization of foreign trade in the World War and the experiences gained thereby, as opposed to
b) the possibilities given for foreign trade organization in the war, and proposes
c) as a solution the separation of the direction of foreign trade from its execution of which the State —Foreign Trade Commissar— would retain the former, and the latter, i.e. import and export business, would be transferred to organizations directed by business under the widest possible supervision of private or public Foreign Trade Institutes existing in peacetime.

The proposals set forth in the memorandum for the construction of the foreign trade organization found agreement in the agencies taking part. One question must still be clarified in a special agency conference.

From the tasks resulting from the memorandum the orders which were to be issued at the beginning of the A-case were outlined (Translator's note: word "outlined" underlined with pencil. Pencil note in opposite left margin: "where are they? h.") and the corresponding lists of goods were partly finished, regarding:

The creation of the Office for Foreign Trade (Aussenhandelskommissariat),

The prohibition against exporting goods important for war and vital to life,

Facilitation of import,

Import prohibition on superfluous goods..

The public and private institutions for foreign trade existing in the homeland and abroad have been designated for the purpose of setting up companies which are to be entrusted with the conduct of foreign trade. For this purpose reports were used which had been made by the Reich Office for Foreign Trade, Main Group IX (Trade) of German economy, as well by the Industry - and Trade Congress.

Furthermore, the Foreign Trade Committee has investigated which of the

H1228 - 0029

following goods, considered espially important in case of war, can be imported via Hamburg, Bremen, and Luebeck, according to quantity and kind: coal, coke, motor fuels and oils of all kinds, ores and metals, chemicals, textile raw materials, leather, india-rubber, asbestos. Corresponding results are at hand for the year 1933 and in part for the first part of the year 1934. (Translator's note: pencil note above: "Ec 128").

Furthermore, it was established which of the import firms located in Hamburg, Bremen, and Luebeck could be considered as importers of the above mentioned goods, from which countries these goods are obtained by them, and what the trade customs are.

Partial results in this matter are also on hand. At the present time the documents which have been obtained are being supplemented by research to determine which of these import companies maintain their own establishments or property abroad. For the solution of these tasks it is intended to incorporate the trade chambers of Hamburg, Bremen, and Luebeck, and possibly Main Group IX of German economy.

Furthermore, the Foreign Trade Committee is investigating to what extent the consumers at home are taken care of by import trade or how far a direct relationship to the industry abroad takes place (delivery contracts of wholesale consumers), with consideration given to the negotiations and reports of the Committee for the examination of the production and market conditions of German economy (Enquete - Committee).

After completion of this work the offices (Kontore) intended for the conduct of foreign trade will be set up in draft form, in which connection it will have to be determined whether and how far existing offices for foreign trade, chambers for foreign trade, import cooperatives, import companies as well as their leading personalities might be considered for incorporation into the planned foreign trade organization.

The Foreign Trade Committee regularly conducts inquiries as to the safeguarding of imports from countries that directly produce and deliver to us essential goods, first of all taking situation, as the basis, in accordance with which possibilities of importing from Sweden, Norway, Denmark, Finland, Latvia, Russia (but not in the winter months, Estonia and Lithuania are assumed. Within the scope of these investigations it is the task of the Reich Statistical Bureau to ascertain the absolute volume of German imports in the countries concerned as well as Germany's share in the total imports of certain categories of goods, noting in the case of which goods a more or less complete dependence upon German imports exists.

The results of such investigation are at hand concerning Sweden, Denmark, Norway and Finland, and serve to indicate whether and to what degree barter trade can be carried on with the various countries in case of war. These studies ascertain first, in every case, in what volume the import of German goods is considered necessary for the country in question. The attempt is made to obtain official or semi-official analyses made by the governments of the countries concerned. Insofar as such are available, as, for example, the publications of the Swedish Board of Commerce (Commerzkollegium) - the greater part of the imported goods which this body estimated as necessary to the maintenance of the Swedish economy and which amounted to about 55% of total imports, originated in Germany they are used for the calculations referred to above.

Also the experience of private organizations, such as the Export Promotion Syndicate (Syndikat zur Schaffung zusätzlicher Ausfuhr), International Commercial Clearing, Ltd. (Internationale Warenclearing, G.m.b.H.), Northern Commercial Clearing Office (Nordische Warenclearingstelle), and the Company for International Trade (Gesellschaft für internationalen Warenaustausch) in the carrying on of barter trade may well be utilized for the purposes of these investigations.

H1228 - 0030

The Foreign Trade Committee has also attacked the following problems:

1) In what way can an effective check be made on the uses to which German goods delivered to neutral countries are put? (control of commerce, guarantees of non-transferral (Verbleibsgewähr).

2) Question of transhipment and storage of imported goods.

---

## ANNEX TO SECTION II

### Preparations in the Fields of Monetary and Credit Economy

In the case of conflicts, difficulties must be anticipated in carrying on economic life, and especially in currency circulation. Already when a political crisis approaches, experience teaches that the need for currency increases rapidly. At such times it is particularly important that retail trade, which is dependent upon metal currency, be supplied with adequate currency. In addition to the necessary continuation of wage and salary payments, it is primarily the supply of the Army with the requisite amounts of currency that must be safeguarded. Within the framework of the total increasing need for currency, the need for smaller notes is particularly urgent. It is difficult to estimate the extent of the new amounts needed, as long as detailed statistics about anticipated army requirements are not available. One must therefore judge on the basis of the amounts that were necessary in 1914, taking into account changes in the composition of the money in circulation and in habits of payment that have occured in the meantime. The amounts arrived at in this way can only be considered as approximate figures. (Translator's note: Following pencil note in left hand margin: "Wi III. It must be borne in mind that nickel (and copper) coins must immediately be withdrawn from circulation. (Illegible initials)"). It is an indispensable prerequisite for carrying through preparatory measures with hope for success that the purchasing power of German currency be maintained. Only then will it be at all possible to introduce money into circulation to an extent that after the beginning of conflict, permits an orderly handling of payments. Confidence in German currency must be firmly maintained so that the public will not be disturbed by the new measures. It is precisely in the initial days of a critical period that tranquillity and order are of decisive importance for carrying through payments. In other words, it is not only a question of having the money in readiness for such cases, but a basis of confidence must be created so that the purchasing power of the new paper banknotes will be maintained. That can be guaranteed solely through energetic, uniform control of all monetary matters. and through a cautious currency policy in the preceding period.

These prerequisites should be borne in mind when it is to be decided in what form and by what agency the needed banknotes should be made available. For one thing, the Banking Law can be altered to enable the Reichsbank to move more freely and to put at the disposal of the Reich the necessary means to supply its needs.

For another thing, the necessary means of payment can also be prepared in the form of Reich Bank certificates. A third way is finally to undertake the establishment of independent banks which are empowered to issue banknotes (Geldzeichen). In the draft of the proposed law a combination of the first and third possibilities has been chosen.

In a similar way as in the years 1848, 1866, 1870 and 1914, for the purpose of taking care of the special need for credit which is to be expected, and for the preparation of additional necessary currency, there shall be established new banks, with the name "Reich Credit Banks" (Reichskreditkassen) which, like the former State Loan Offices (Darlehnstrassen), will be permitted to issue a special banknote. These new banknotes are to be accepted for pay-

H1228 - 0031



ment by all public banks at their full face value; and in private circulation they are subject to compulsory acceptance up to the amount of 20 RM. A new amendment to the old State Loan Laws provides that the Reich Credit Banks have to place stipulated amounts at the disposal of the Main Reich Bank (Reichshauptkasse) against transfer of State Certificates of Judebtedness (Schuldverschreibungen des Reichs) accordingly, new currency is immediately available for the amounts of specie required for other purposes. The total amount to which the Reich Credit Banks can issue currency is fixed at 3 billion (3 milliarden) RM. On the basis of our experiances in 1914, it is to be assumed that the necessary supply of new currency of this kind for the first 30 days can be fixed at about 1 billion (1 milliarde) RM.

Accordingly it should be possible to grant an adequate freedom of movement to the new banks in the beginning.

The provisions for the protection of loans are so formed that they supplement the corresponding provisions for the Reich Bank. The stipulations on the requirements for establishing a lieu on goods serving as security and on the pledging of ledger claims (Schuldbuchforderungen) have been copied from the former stipulations in the State Loan Office Law, which have proved themselves sound.

The issuing of credit bank certificates in small denominations, mainly to serve as a substitute for specie, is thereby abolished.

In a similar way as before, it appears expedient to incorporate the credit banks within the offices of the Reich Bank. The latter organization has proved itself, and also guarantees the central administration of currency which is absolutely necessary, and which nonetheless is easily adapted to local needs.

H1228 - 0032



## Part III

### Outline of the proposed plan.

Objective: Sudden Employment of Rationing (Sparwirtschaft)

The aim of the memorandum for proposed regulations herewith submitted, is the immediate introduction of a strict system of rationing. Our stocks of raw materials which are already extremely limited in the most important spheres of metals, gasoline, fibre, ca outchouc, asbestos, hides and skins, leather, chemical elements, can be limited even more in case of an emergency through events of war (air warfare and evacuation of frontier districts). How much we can rely on imports is extremely uncertain. Disregarding the fact that it is uncertain which countries will be hostile or neutral it must be anticipated that the neutral countries remembering the time of the world war will very first of all be held back their exports to a large extent by embargos. It is also uncertain in ad how quickly the enemy shall influence the neutral countries by means of economic warfare through measures used so successfully by England during the world war (black lists etc.). Finally one has to add to all further notice the nearly complete destitution of gold and foreign currency which hampers the situation even more difficult. We have therefore to economize mainly in the beginning with what we have at our disposal. In order to achieve that goal essentially two measures are planned.

1. The [illegible] should be [illegible] into a [illegible] and well [illegible] organization into various departments according to types and [illegible] and [illegible] authorities should be appointed to control it with [illegible].

2. Rules are to be introduced for the allotment of scarce raw materials etc., and their use and processing for other [illegible] war - or otherwise absolutely vital goods is prohibited.

### (Skeleton law regarding the organization of war economy)

Two laws serve the purpose mentioned under No 1:
A skeleton law regarding the official administrative organization of the war economy and another skeleton law regarding the creation of 17 Reich offices organized along industrial lines. The necessary official apparatus for the execution and supervision of centralized legislative and administrative decrees for intermediate and local authorities should be provided by the first statute. The second decree regulates the creation, the internal organization, the method of financing and the power of Industrial Reich offices, whose task is, according to the directives of the Minister for Reich economy, to execute an economic policy of thrift in its respective sphere, to confiscate, release and distribute scarce materials and goods. Since the so-called control-offices (Ueberwachungsstellen) for the reduction of imports have now been established for one half year already, they would have to take over these tasks intended for the Reich offices (Reichsstellen), and to coordinate their work with a, in comparison with now, strongly increased authority named in Par. 2, should case A occur in the immediate future. Since today it is not possible to foresee, whether there control offices will be permanent fixtures or whether they will perhaps disappear again, it has been temporarily decided to maintain in the issued decrees the designation Reichs offices (Reichsstellen) already established for several months. The remaining in an emergency would be but a matter of a few hours.

### Decrees of the Reichs offices

The first decrees of the Reich offices are based upon the skeleton decrees for the establishment of Reichs offices and their authorization for issuing the necessary regulations. 14 different proposals for these basic first decrees are laid down in enclosed V *) There we find declarations of seizure, stipulations for release, and as far as the nature of the scarce raw material in question permits, and laws prohibiting processing for any use which is non

H1228 - 0033

essential tc the war effcrt cr the maintenance cf life. They fcrm the basis fcr an immediate functicning cf the Reichs cffices.
*) The still missing plans cf the Reich cffices fcr mineral cils, clcthing, silk and artifical silk will be fcrthccming.
(pencil ncte) The best alsc with the present ccntrcl agencies.
They shculd be discussed in detail and eventually ccmpleted with the prcspective chiefs as general experts. Further supplements which may be necessary may be taken care cf then by the Reich cffices themselbes thrcugh their practical experience and the pcwers granted tc them.

## Decree ccncerning Army Crders.

The impcrtant regulaticns ccncerning the preferred allctments cf raw materials tc armament factcries, ccntained in the decree regarding Army Crders have yet tc be submitted tc a special examinaticn. They have previcusly been discussed between the Ministry cf Ecencmics and the Army Crdnance Cffice. The prcvisicnal regulatic is trying tc find a ccmpensaticn between a quicker, ncn - bureaucratic prccurement cn the cne hand and the necessities cf ecencmic management with these mcst impcrtant and strcngest raw material ccnsuming crders cn the cther hand and fcr the prctectic cf an cverdemand by industry. After the preparaticns which the Army Crdnance Cffice started at that time and which will last fcr years aiming tcward an exact fixaticn cf the amcunt cf raw materials used fcr every single piece cf Army equipment, will be ccmpleted, it will be pcssible tc wcrk cut an imprcvement cf the ncw ccmpleted prccess.

## Decree ccncerning ccal.

The draft submitted for the war ecenemy of coal need special comment. Amcng all raw materials coal has the widest circle of consumers. These consumers belong to very different types of establishments, from the biggest armament factory to the small home user. Pursuant to the general decree on the establishment of Reich boards (Reichsstellen) a Reich office for coal is being created. The powers of this board may, for the time being, be adapted to those of the other boards. Enlargements of these powers will probably be necessary, but must result from practical experience.

The principle of the war ecenemy of coal is separation of consumption as to its importance for war, its importance for vital industry and home demand (Heimatbedarf). This is the order in which the demand shall be met. For home demand deliveries shall be made only, after demand for war and of other vital importance has been met. A certain exception is to be made in the beginning for consumption in houses.

A war ecenemy of coal has to be started immediately when the emergency arises (im Ernstfall). The first regulations (Decree on Temporary Regulation of the War Ecenemy of Coal), however, can only be based on very rough rules, as any attempt to get a more refined organization started overnight, would fail. This preliminary order, therefore, contains only the simple, basic thoughts,

assuring a unified command by clarifying the authority of the Reich Coal Office (Reichskohlenstelle) over the officials of the coal industry, especially the trusts,

coal to be shipped only to consumers essential to the war effort or the maintenance of life,

domestic coal to be issued against ration cards only,

coal stored with consumers nonessential to the war effort or the maintenance of life to be requisitioned,

no coal to be used for consumption nonessential to the war effort or maintenance of life.

H1228 -0034

These measures will make it possible that newly mined coal and that already in storage will be earmarked exclusively for consumption essential to the war effort, or the maintenance of life. They do, however, not guarantee a more sensitive distribution of coal according to the actual demand. Every consumer will take as much coal as he can get. It is quite possible that thereby great variations in shipments of coal may occur, even consumers essential to the war effort or the maintenance of life.

This shortcoming is to be overcome through final wartime regulations for the coal industry which are to replace the "preliminary" regulations after about four weeks from the time Case A has taken place. The functions in detail are stated in the regulations. Of importance is the stipulation that the Reich Commissioner for Coal of more that 100 t per month. By this means a particularly careful treatment of the large war important and other essential consumers is assured. Naturally the Reich Coal Department retains all its other functions. The regulation regarding the temporary arrangements is cancelled.

The directives regarding the final organization of the war economy for coal is supplemented by the regulations regarding supplies of coal for war important and vital industrial consumers and by the directive regarding the supply of coal to households, agriculture and small industry. Different rationing systems are being applied for these groups of consumers in view of the different structure of the coal-consumption.

For war important and essential industrial consumers a cardex system of registration is being introduced, while for household including agriculture and small industry a rationing system is recommended. These systems have been carried out already during the last war, however there are some changes provided on account of the economical development, previous experiences and the different constellation of problems. Finally, regualtions are added for the pegging of contract prices of coal. These regulations are necessary according to previous experience, because to charge the Reich coal commissioner with that task, would obstruct him very much in his activities.

Decree for the protection of honest business.

The experiences during the world war teach us that commercial activities have to be controlled very strictly in case of a scarcity of merchandise. The regulations for the protection of honest business are based on these experiences. It is up to future legislation, to adjust the details of these regulations to the newer laws for the protection of commerce which are changing constantly.

Decrees concerning foreign trade .

Two drafts of basic decrees for the illegal regulation of foreign trade are enclosed.

1. The decree about the creation of an agency for export trade, which regulates the organization and rights of this office;

2. The decree about the creation of foreign trade corporations. This decree regulates the establishing of 7 foreign trade corporations, which have to manufacture and sell the merchandise within their field of business. The outlines for three additional decrees concerning the prohibition of export, the facilitation and prohibition of import have already been drafted. The draft of the extensive list of goods pertaining to it is not yet completed.

H1228 – 0035



## Part IV

### Evaluation and Outlook.

The total summary of what has been accomplished so far and the legislative preparations submitted hereby lead to two conclusions :

1. The agencies concerned succeeded in less that 1 1/2 years'work to bring to a near conclusion the preparations and thus to eliminate the unbearable state of almost total economic defenselessness in case serious trouble should start.
(pencil margined note: to recognize)

2. The solution found represents an emergency structure, which to extend, to refine and to complete must be the task of the following years.

The first statement contains many gratifying features. First, basically ... : The idea of war economy has become familiar. It has been tackled in a practical way. It will now no longer be neglected after it had been unexplainedly forgotten in Germany for 15 years by the civilian agencies despite the better experiences of the world war. A small circle of men worked on it (the war economy) intensively. To expand this circle of men unnoticed in order to make available and prepare the staff necessary for proper functioning will be the worry for the future.

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Filed Jan. 10, 1946

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A start has been made by recognizing the critical points and by applying practical measures for their elimination. One of these measures is the present appointment of 14 special commissioners of the Reich Ministry of Economics to the administration boards of economy. They will have to prepare the practical execution of the central projects. Many stimulating ideas for innovations and improvements are bound to result from the practical experience gained thereby, especially if the projects should have been hampered by red tape. It is therefore highly desirable that a secure organization, considered in the budget, and provided with all prerogatives of civil service for its officials, be established as soon as possible, as only highly trained specialists can be used for this important task, and we know from experience that without granting such security, we will not be able to hire the qualified men.

The second conclusion, that the present organization is only a makeshift, includes the added problem for the near future: besides the current daily "practical routine" especially the following must be mentioned:

1) The administrative measures must be discussed in consultation with chief specialists of economy and with the departments concerned. 2) The already selected directing personnel is to be instructed of their task, their assisting personnel has to be hired. 3) The contemplated system for foreign trade must be organized in respect to personnel and departments. Furthermore, everything will have to be prepared for the projected attainment of a positive economic mobilisation, as outlined above on page 10, as far as the conditions of the respective, preliminary preparations of the Reich Ministry of Defense, arranged simultaneously, will permit. In view of the closely intertwined relations of the economy, beset by demands for the actual needs of the armed forces and the war and vital domestic demands, a final compromise of the respective reservations for both sides for the necessary manufacturing centers can only be planned and achieved when these preliminary preparations are concluded, according to priority of the different units of the armed forces to be supplied, for instance establishing a conclusive manufacturing program with fixed allocation of the factories necessary for the manufacture of the war equipment, designating subcontractors for these factories, the calculation of the needed raw material for each piece of equipment, the fixing of the prices of such equipment at every stage of production, etc.

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H1228 - 0036

H1228 - 0037

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## Table of Contents


| Report | Page |
|---|---|
| Section I: Introduction: The problem and the means for its solution. | 1 - 17 |
| 1) The problem | 1 - 8 |
| Importance of the problem | 1 |
| Enhancing of this importance since the termination of the war. | 3 |
| Competence of the Reich Ministry of Economies | 5 |
| Theoretical and practical part | 6 |
| 2) Manner of procedure | 8 - 17 |
| Immediate and long range aims | 8 |
| Special difficulties | 11 |
| Standard of procedure in committees | 15 |
| Section II: Current business of the Committees. | 18 - 61 |
| 1) Tasks of the main committee | 18 |
| 2) " of committee on raw material | 20 |
| 3) " " " on power | 29 |
| 4) " " " on finished products | 34 |
| 5) " " " on technical matters. | 46 |
| 6) " " " on Foreign trade | 52 |
| Supplement: Preparations for finances | 58 |
| Section III: Fundamental aspects of the proposed plan. | 62 - 70 |
| Aim: Immediate enforcement of measures to economize | 62 |
| General regulations on the organization of the war economy | 63 |
| Regulation of the Reich Bureaus | 64 |
| " on orders placed by the Armed Forces | 65 |
| " on coal | 66 |
| " for the protection of legitimate trade | 69 |
| " for Foreign Trade | 69 |
| Section IV: Resume and Outlook | 71 - 73 |


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H1228 - 0038

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# D e c r e e

on

the Administrative Organization of the Industrial War Economy

of .....

Pursuant to Point 2 of the Reichsverteidigungsgesetz (Reich Defense Law) of ..... (Reichsgesetzblatt I, Page .....) and the Decree on the Execution of this law of ..... the following has been decreed.

## Part I: District Economy Offices.

### Article I

### Establishment

In order to execute the decrees governing the industrial war economy issued by the Reich Minister of Economics or by those agencies authorized by him, fourteen District Economy Offices will be established. They will be located in Koenigsberg, Prussia, Stettin, Berlin, Breslau, Magdeburg, Kassel, Hannover, Muenster, Bochum, Hamburg, Dresden, Weimar, Munich and Stuttgart.

### Article 2

Local Jurisdiction.

1) The local jurisdiction of the District Economy Offices is shown in Appendix I.

2) The presidents of the District Economy Offices shall be appointed by the Reich Minister of Economics. The highest State Administration Authorities located in the same town as the District Economy Office will be in charge of the employment of the necessary personnel and of the material requirements.

### Article 3

### Branch Offices.

1) Insofar as the capital of a state is located in the districts according to Appendix I, the State Government with the concurrence of the president of the District Economy Office will establish a branch office for the parts of the state which are located in its district. Article 2, paragraph 2, sentence 2 will be applied accordingly.

2) Further branch offices may be established by the president of the District Economy Office with the consent of the Reich Minister of Economics.

### Article 4

### Tasks.

In accordance with the directives of the Reich Minister of Economics and upon the request of the Reich Agencies created by him, the District Economy Offices are to supervise and support the execution of the decrees and announcements issued by them.

H1228 - 0039

TRANSLATION OF DOCUMENT Ec 128
CONT,D

Article 5

Powers

1) The District Economy Offices may issue all necessary orders within the frame work of the tasks as prescribed in Article 4. The authorities of the general administration must upon request give them official assistance.

2) The District Economy Offices are authorized in particular to requisition war contributions in accordance with Article 3, Number 6 e of the Decree concerning the execution of the Law on War Contributions (Kriegsleistungsgesetz)

Part II. War Economy Offices of Municipal Administrations.

Article 5

Establishment and Tasks.

The "kreisfreien" cities (cities which do not belong to a "Kreis" -county) and the Kreise (counties) will establish War Economy Offices for the execution of decrees and orders issued by the Reich Minister of Economies by the Reich Agencies for the regulation of the Industrial War Economy, and by the District Economy Offices for the purpose of organizing the war economy.

Part III

General Regulations

Article 6

The Reich Minister of Economics will issue the legal and administrative directives required for the execution of this decree.

Article 7

This decree shall take effect as of .....

Berlin

.....

The Reich Minister of Economics

.....

The Reich Minister of the Interior

,,,,,,.....

H1228 - 0040

TRANSLATION OF DOCUMENT Ec 128
OFFICE OF US. CHIEF OF COUNSEL

appendix 1

| Place | District |
|---|---|
| 1) Koenigsberg | Prov. East/Prussia |
| 2) Stettin | Prov. Pomerania<br>Districts: Schlochau, Flatow, Dt.-Krone, Netze-district of the Prov. Grenzmark<br>Mecklenburg with exception of the areas mentioned in No. 3 |
| 3) Berlin | Greater - Berlin<br>Prov. Brandenburg including the parts of Mecklenburg situated within<br>Districts: Meseritz, Schwerin, Bomst, of the Prov. Grenzmark. |
| 4) Breslau | Prov. Lower - Silesia<br>Prov. Upper - Silesia |
| 5) Magdeburg | Prov. Saxonia with exception of the districts Schleusingen, Ziegenbrueck, (see No. 12) but including these areas of Anhalt, Brunswick and Thuringia with exception of Sondershausen, situated within its borders. |
| 6) Cassel | Prov. Hessen-Nassau with exception of the district Schmalkalden (see No. 12) Hessen-Darmstadt (Upper-Hessen) Hessen-Starkenburg and Rhine-Hessen.<br>Districts: Neuwied, Mayen, Ahrweilen, Daun, Pruem, Bitburg, Trier, Saarburg, Merzigwaldern, St. Wendelbaumhold, Kreuznach, Simmern, Bernkastel, Zell, Wittlich, Cochem and Prov. Rhineland.<br>Country district Birkenfeld of Oldenburg. |
| 7) Hannover | Prov. Hannover with exception of the districts Osnabrueck, Wittlage (see No. 8)<br>Brunswick with exception of the areas mentioned under No. 5<br>Bremen<br>Oldenburg with exception of the areas mentioned under No. 6 and 10 |
| 8) Munster | Prov. Westphalia with exception of the districts: Recklinghausen, Unna, Iserlohn, Ennepe-Ruhrdistrict, Altena, Olpe, Siegen, Wittgenstein (see No. 0)<br>Districts: Osnabrueck, Wittlage of the Prov. Hannover<br>Lippe - Detmold<br>Schaumburg - Lippe |

H1228 - 0041

TRANSLATION OF DOCUMENT Ec 128
CONT,D

| Place | District |
|---|---|
| 9) Bochum | Prov. Rhineland with exception of the districts: Neuwied, Mayen, Ahrweiler, Daun, Pruem, Bitburg, Trier, Saarburg, Merzigwaldern, St. Wendelbaumhold, Kreuznach, Simmern, Bernkastel, Zell, Wittlich, Cochem, (see No. 6)<br>Districts: Recklinghausen, Unna, Iserlohn, Ennepe-Ruhrdistrict, Altena, Olpe, Siegen, Wittgenstein of the Prov. Westphalia. |
| 10) Hamburg | Hamburg<br>Prov. Sleswick-Holstein<br>Luebeck<br>Country-district Eutin of Oldenburg |
| 11) Dresden | Land Saxonia |
| 12) Weimar | Thuringia including Sondershausen<br>District Schmalkalden of Prov. Hessen-Nassau<br>districts Schleusingen, Ziegenbrueck of Prov. Saxoni |
| 13) Munich | Bavaria excluding the Palatinate |
| 14) Stuttgart | Wuertemberg and Baden, the Palatinate. |

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H1228 - 0042

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Part B

Section V

26 Decrees and Regulations governing the industrial War Economy.

H1228 - 0043



TRANLATION OF DOCUMENT Ec 128
OFFICE OF US. CHIEF OF COUNSEL

Table of Contents


| | | Page |
|---|---|---|
| 1) | Decree on the administrative organization of the industrial war economy ... | 1 |
| 2) | " on the establishment of Reichoffices for the regulation of industrial war economy ... | 6 |
| 3) | " ondorders for the Armed Forces ... | 15 |
| 4) | " on the safeguarding of the essential needs of the civilian population ... | 19 |
| 5) | " on the protection of legitimate trade ... ... | 25 |
| 6) | " on the establishment of the Reichscommissariate for Foreign Trade ... | 31 |
| 7) | " prohibiting the export of goods essential for war and life ... | 33 |
| 8) | " on the facilitation of import ... | 35 |
| 9) | " on the prohibition of import of nonessential goods ... | 43 |
| 10) | " of the Reichscommissariat for Foreign Trade on the establishment of Foreig Trade corporations ... | 44 |
| 11) | " on the issue of Creditbank banknotes and on the establishment of Reichscreditbanks ... | 50 |
| 12) | " on the alteration of the banking law ... | 58 |
| 13) | Regulation of the Reichsoffice for coal and aalt ... | 59 |
| 14) | " of the Reichsoffice for stones and soils ... | 92 |
| 15) | " " " " for iron and steel ... | 96 |
| 16) | " " " " for non ferreums metals ... | 102 |
| 17) | " " " " for means of production ... | 111 |
| 18) | " " " " for Chemistry ... | 119 |
| 19) | " " " " for vegetable and animaloils and fats for technical purposes ... | 126 |
| 20) | " " " " for wool ... | 133 |
| 21) | " " " " for cotton ... | 138 |
| 22) | " " " " for bast fibre ... | 142 |
| 23) | " " " " synthetic spinning material ... | 146 |
| 24) | " " " " for paper ... | 150 |
| 25) | " " " " for leather ... | 152 |
| 26) | " " " " for caoutchouc and asbestos ... | 159 |


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23-1

Summary

"War Economy" trip to Godesberg undertaken by General Staff between 25 May and 2 June.

Welcome to General Staff's "War Economy Trip" to Godesberg in 1937. Contrary to the first trip last year which was limited to very few men, the following individuals will participate this year; members of war economy organizations, representatives of the three branches of the Armed Forces, a considerable number of men representing the Plenipotentiary General and several men who join us in these measures for rearmament. Particularly welcome is President Schacht who promised to be present during the final conference on Saturday.

Previous trips of this nature were concerned mainly with visiting industrial organizations and making the acquaintance of their leading men. Last year's trip already went one step further as mobilization of organizations was discussed, as well as, in one instances, the solution of the difficult worker problem.

During fall of the past year a first experiment was made in starting on a small scale a war game in war economy. We gained considerable experience which was applied this year. This year's trip has two main aims; first, examination of cooperation within war economy organizations, coordination of the war economy staff with the branches of the Armed Forces, and the cooperation between the war economy staff and the C.B. under presumed conditions of war; second, inner organizational mobilization.

I talked with many soldiers and industrialists regarding the nature and execution of these trips, but most of them did not understand them.

We, too, do not know much about this kind of war game in war economy. We also consider it a dangerous experiment, but hope to be able to utilize, on a large scale, what we learn from it.

The circle participating in this war game is considerably larger and therefore prevented us from basing it on a situation exposing the actual German plan of operations. We had to construct a situation which provided a reasonable and practical foundation for one game on one hand but which, on the other hand, is constructed in a manner that the purpose of the game is completely fulfilled in regard to business. Please do not examine the game too critically regarding tactical and strategic moves, but remember that the main purpose of this trip is a possible solution of war economic problems.

I want to point out, however, that all material and all information received has to be kept in strict secrecy.

A second point. The first round of a war game cannot solve all problems, it can only bring it closer to their solution. Therefore, I shall not discuss basic problems and situations, but I shall take note of originating differences in order to have them clarified in Berlin later on. We based the situation - especially regarding Red - regarding organization on several assumptions which do correspond with the real German situation and which need further examination



H1228 - 0044

before they can be suggested for acceptance by the Armed Forces. I, therefore, ask you not to discuss these questions as, I repeat, we all want to gain experience from this kind of war game and want to become acquainted with the advantages and disadvantages of one or the other organization. It is possible to get acquainted only if one plays with them with the help of a practical example. The main purpose of the war game consists in pointing out to those present here how the actions of the soldiers in total war is influenced by economy and how on the other hand, economy is completely dependent on military operations. During war time there is no polarity: Armed Forces here, Economy there! It is important that they cooperate and we are attempting to find a successful method to effect this.

As the time provided for this war game is very limited we can only indicate arising questions and discuss in detail only very few subjects. Therefore, please limit your discussions. I shall only direct parts of the game; Lt. Col. Huenerman and Major Beutler will take over the lead of the remaining part of the game. I am doing this in order to keep at a certain distance from these things. I have to do this in order to gain and retain the full perspective and method of the game and to make future conclusions from gained experience.

Hopes to become better acquainted with everybody.

Translation of Part I of Speech welcoming Dr. Schacht.

Before I start with the discussion of the war game in war economy, I have to express how grateful we all are that you, President Dr. Schacht, have gone to the trouble to personally participate in our final discussion today despite all your other activities. This proves to us your deep interest in war economy tasks shown at all times and your presence here is renewed proof that you are willing to facilitate for us soldiers the difficult war-economic preparations and to strengthen the harmonious co-operation with your offices.

CERTIFICATE OF TRANSLATION
OF DOCUMENT EC-174.

I, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of the indicated excerpt from Document No. EC-174.



H1228 – 0045

TRANSLATION OF DOCUMENT EC 177
OFFICE OF U.S. CHIEF OF COUNSEL

TOP SECRET

H1228 -0046

The Reichswehr Minister

Berlin, 22 May 1933

T.A. Nr. 421/33 g. Kdos. T 2 III A:

40 Copies
10th Copy

# P R O T O C O L

## Of the 2nd Session of the Working Committee of the Delegates for Reich Defense.

Time: 26 April 1933 Start: 1000 hours
End : 1230 hours

Place: Large Conference Room in Reichswehr Ministry

Participants:

| | |
|---|---|
| Reichswehr Ministry: | |
| Dept. of the Field Army (Truppenamt): | Chief Lt. Gen Adam |
| T 2 | Chief Col. Keitel |
| | Capt. Schmundt |
| | Capt. Pructer |
| T 2 Administration | Min. Rat. Dr. Weber |
| T 1 IV | Major Gercke (ret) |
| Dept. of Air Raid Protection: | Capt. Speidel |
| Dept. of the Res. Trng. and Repl. Army (Wehrmacht): | |
| Chief of Staff | Lt. Col. Winzer |
| In 6 " " " | Lt. Col. Guderian |
| In 7 " " " | Lt. Col. Fellgiebel |
| Ordnance Dept. (Waffenamt): | Lt. Col. Stud |
| Wa Mi. | Major Marlimont |
| Administrative Dept.: (V3) | Min Rat. Reich |
| Ministry Office: | |
| " | Col. von Vietinghoff |
| | Capt. Tschacho |
| Security | Capt. Wahle |
| Delegates for Reich Defense from the Reich Ministries: | |
| Foreign Office: | Legation Secretary von Buelow |
| Interior: | Ob. Reg. Rat. Erbe |
| Finance: | Gen. Finanzrat Kaponhensch |
| Economics: | Min. Rat. Godlewski |
| | Reg. Rat Dr. Barth |
| Labor: | Min. Rat Sieler |
| Postal: | Min. Rat Delvendahl |
| Traffic: | Min. Rat Koffka |
| Justice: | Min. Rat Koffka |
| Food and Agriculture: | Amtsgerichtsrat Bretschneidner |
| Air: | Capt. Bolle (ret) |
| Prussian Ministry of the Interior: | Ob. Reg. Rat Diels |

Minutes:

Lt. Gen. Adam: Welcoming of the delegates especially of the respresentative of the Air Ministry present for the first time.

Information about the decision of the Reich Cabinet of the 4 April 1933 to form a "Reich Defense Council".

Reference to:

a. Change of the responsibility for the defense of the Reich.

b. The decision to make the activities of the delegates a full-time job, and the necessity for this measure order to master the important and extensive tasks.

With a wish for trustful cooperation in the working committee of the RVR (Reich Defense Council) transfer of the presidency to Col. Keitel (Chief T 2).

Col. Keitel: After welcoming takes up business of the day.

Item 1

Thoughts about a Reich Defense Council

All great European powers which are at freedom to arm, have a RVR. One does not have to refer to history to prove the necessity of this institution. The war has shown conclusively that the cooperation with the various ministries has not been close enough. The consequences did not fail to materialize. The soldier is not in a position to have a say in all matters. The disadvantages of the past system were caused by parallel efforts of the various ministries in matters of the Reich defense. To avoid these mistakes a central agency has been created which occupies itself already in peacetime in the widest sense with the problems of Reich Defense. This working staff will continue its existence in time of war.

In accordance with the cabinet decision of the 4 April 1933 the Reich Defense Council, which until now had been prepared for war emergency, will go into immediate action.

In time of peace its task will be to decide about all measures for the preparation of the defense of the Reich, while surveying and utilizing all powers and means of the nation. To this effect a law placing every German and his personal property at the war service of the nation (Kriegsleistungsgesetz) is being prepared which will be submitted to the committee after its completion.

Composition of the Reich Defense Council:

President: Reichs Chancellor Deputy: Reichswehr Minister

Permanent Members: Minister of the :

Reichswehr
Foreign Affairs
Interior
Finance
Economic Affairs
Public Enlightenment and Propaganda
Air
Chief of the Army Command Staff
Chief of the Navy Command Staff

Depending on the case: The remaining minister, other personalities, e.g., leading industrialists, etc.

In order to regulate the work it is necessary to determine who will do the drafting of the various tasks and in what manner. The Reich ministries will receive instructions in this regard from the Reichswehr Minister

Item 2

Full-time Employment of the Delegates:

H1228 – 0047

Whether the full-time employment of delegates for the Reich Defense Council necessitates changes of personnel within the permanent committee will have to be decided by the ministries concerned. It is requested to settle this matter with the various ministries and to inform the Reichswehrminister which full-time delegate is slated for the working committee.

Ob. Reg. Rat Erbe (Interior): The solution of this question is rendered more difficult by the fact that each of the delegates has already a large field of work, to which he is deeply attached and which he will part with unwillingly.

Ob. Reg. Rat Diels (Prussian Ministry of the Interior): Is of the same opinion. He himself is in addition, in charge of the Secret State Police. Remedy: Full time assistants.

Min Rat Godlewski (Economics): Recommends the solution of the Reich Ministry of Economics: The delegate keeps his own field of work with addition of the Reich Defense tasks, which are handled by a special official (at present Rat Dr. Barth) exclusively and as a full time job. This way a higher official retains the direction, without being overburdened with the work.

Lt. Gen. Adam: Agrees with the opinion of Min. Rat Godlewski and proposes a similar solution for the other Reich Ministries.

Amtsgerichtsrat Bretschneider (Food and Agriculture): Does not believe that the Ministry of Food and Agriculture will be able to send a special delegate in view of the general overload with work.

Col. Keitel: The amount of work of the Reich Ministry of Food and Agriculture will not decrease. Food supply, however, is of the utmost importance in case of mobilization, so that an intensive cooperation on the part of this ministry is absolutely essential.

Min. Rat Schmidt (Traffic): At the Traffice Ministry hardly any higher officials can be made available for this full time task. A good deal of the work in the realm of the Reich Defense could be done by the R.E.K.

Lt. Gen. Adam: The tasks will be distributed and it is a matter of the various ministries to take care of same. Best solution: Higher official with full time assistants.

Col Keitel: Points out once more the urgency of the tasks, since it had been possible to do only very little in this connection during the last years. He asks the delegates to consider the Reich Defense at all times and represent it accordingly at the drafting of new laws. Experiences of the wars are available and are at the disposal of the various ministries: (e.g. Reich Archives, Memorandum of an administrative official about gasoline supply). All these sources must be taken advantage of for the future. The task of the full time delegates is also to bring about a close cooperation of the ministries with each other.

Min Rat Schmidt (Traffic): Requests a complete roster of the committee members.

Col. Keitel: Agrees to that, as soon as the ministries have named their full-time delegates.

Item 2

Nature of Work Plans

In the work plans the questions and ideas are laid down, which have come up in the Reichswehr Ministry and must be considered in case of mobilization. Up to the present time the support on the part of other ministries was frequently based only on personal helpfulness since any authority from above was lacking. The following work plans are finished:

a. Work Plan for the Reichs Ministry of Economics
" " " " " " " Food and Agriculture
" " " " " " " Labor

H1228 - 0048

These three are composed in one work plan for the preparation of a war economy.

b. Work Plan for the Reich Postal Ministry

c. Work Plan for the Reich Traffic Ministry.

Request the plans to be worked through carefully by the competent ministries. The plans will be discussed beginning of June, when proposals for improvements may be made. The other ministries which have no work plans yet will receive them later on. The office of air raid protection will work out a work plan in conjunction with the Reich Commissariat for aviation.

Min. Rat Godlewski (Ministry of Economics):

1. In case a completed plan for mobilization is to be created a preparation of requisition orders for the supply of raw materials, creating of war industries and getting in touch with personalities to be charged with these tasks in case of war, is necessary . All this means years of work.

2. What about the financial aspects of this work? Naturally, large sums will be required for it, with which the ministry concerned will be debited. To what extent can this be carried out in practice and to what extent will it remain only paper work once more?

Col. Keitel: Certainly, the working out of these plans requires a long time. The Reichswehr Ministry has worked for years on the principles of Reich Defense, too. The organization of a war economy always requires plenty of money and time. It is just the reason for and the purpose of the working committee of the Reich Defense Council to overcome these difficulties. Proposals and inquiries of the various Reich ministries must be made the subjects of sessions of the Reich Defense Council (Cabinet) by the working committee. It is to be decided there, which tasks have priorities over others and for which purposes means have to be available. Nevertheless, the financing of the various proposals remains a matter of the ministry concerned. The direct influence of the Reich Chancellor on these tasks represents, however, a great progress compared with past times. The various ministries have to submit yearly budget proposals, which are to be approved separately.

Min. Rat Delvendahl (Postal Ministry): Sees an acceleration of the tasks in a direct cooperation with the Wehrmacht experts. Which is the competent agency for that in the Reichswehr Ministry?

Col. Keitel: The Army Organization Department is competent only for the great guiding principles. Technical matters are to be settled with the special offices of the Reichswehr Ministry. Inquiries regarding the specialists are to be addressed to the secretary of the Reich Defense Council, Capt. Schmundt.

Min. Rat Delvendahl (Postal Ministry): Who is competent in questions of general nature?

Col. Keitel: Can be decided only from case to case.

Item 4

Security and Secrecy

Question has been brought up by the Reich Ministries.

The secrecy of all Reich defense work has to be maintained very carefully. Communications with the outside by messenger service only, has been settled already with the Post Office, Finance Ministry, Prussian Ministry of the Interior and the Reichswehr Ministry. Main Principle of security: No document must be lost since, otherwise, the enemy propaganda would make use of it, Matters communicated orally cannot be proven, they can be denied by us in Geneva. Therefore, the Reichswehrministry has worked out security directives for the Reich Ministries and the Prussian Ministry of the Interior.

H1228 – 0049

Reading of the Security directives (Rn. M.T.A. Nr. 285/33 g.K. T 2 III A dated 19 April 33), by Capt Schmundt.

Col. Keitel: Under no circumstances communications by mail.

Min. Rat. Delvendahl (Postal Ministry): Secret but urgent letters can be mailed in locked leather cases wrapped in special envelope. Heasks for a moderation of the dispatching directives.

Col. Keitel: The main thing is that the mail in the various ministries is opened by the addressee himself and not by the main office or another agency. It is of utmost importance that ways and means are provided to guarantee an absolutely safe transportation.

Min. Rat Rat Koffka (Ministry of Justice): It is most dangerous to mark the outside of the letters "Secret". Incidentally, up to the present time there is no real protection furnished in the Ministry of Justice. Only one steel safe is available.

Col. Keitel: The need for steel safes grows only slowly. The Reichswehr Ministry has spent a lot of money to obtain a sufficient number of steel safes for itself and the branch offices. Steel safes remain, nevertheless, an urgent requirement. Letters are to be addressed to the recipient personally.

Gen Finanzrat Wapenhensch (Finance Ministry): If letters pertaining to Reich Defense can be written in such a way that in case of loss their contents cannot be recognized as mobilization measures by enemy news services, express matters must be dispatched by mail

Col. Keitel: The purpose of the directive is not to represent clear unequivocal instructions for all cases, but to point out inherent dangers in case of leakage. Have to be decided separately in every case. Proposals about this matter in June. The purpose, not the form decides.

Item 5

Leaves of absence resp. releases from duty for the purpose of participation in training measures outside the Wehrmacht.

Notices pertaining to this subject have been sent to Ministries already. Reich Cabinet has decided to grant leaves of absence to officials in the services of the Reich, etc., without deducting that time from their recreational leaves. The Reich authorities in the Reich will be informed by the Wehrkreigkommandos. I request the Russian Ministry of the Interior to state whether this measure is to be in effect in it sphere, as well.

Ob. Reg. Rat Diels (Pr. Min. of the Int.): Agrees for Prussia.

Min. Rat Schmidt (Traffic): For the RR officilas etc. this will be settled by the H.T.K. The authorities will be informed orally, but how is one to go about the instruction of the laborers. 27,000 workmen at the administration of waterways construction alone? Does that not invite abuses? What about secrecy in that case?

Col. Keitel: Only the authorities are to be informed. The men will be advised by the Wehrmacht agencies themselves. The men volunteer since they are mostly in reserve units. Furing the training

a. Security
b. Regulation of leaves of absence.

will be explained. Unfortunately, the announcement of a leave will schedule is not possible. The Ministries need not worry about the orientation of the men. What matters is that the superiors authorized to grant leaves are informed accordingly in advance.

Item 6

Storage of Weapons

H1228 – 0050

a. Renting of state owned lands (e.g. State Forestry areas) must be accomplished without cost.

b. The Finance Ministry has set up a "re-enforced border control service". The value of this organization lies in the distribution of personnel among the customs sectors - equal to border protection sectors. Exchange of personnel rosters between the customs etc., authorities and the Wehrkreise is in effect already. The peace-time maneuvers of the re-enforced border control service are of great importance.

c. Storage of weapons near the location where they will be needed. Unfortunately weapon stores are not always secret any more (Czech newspaper). Secrecy must be maintained to a much greater extent, appeal to, the assembled gentlemen.

d. Request to the postal authorities: Protection of Reich mail service to be prepared for the event of mobilization (at present available only in case of domestic disorders). The border protection maneuvers in Breslau have disclosed many deficiencies in communications in case of a Polish invasion of Upper Silesia. Police is not to be made available for such purposes. What has been the mission of the Landsturm in days past will have to be carried out by organizations created by the Reich Ministries themselves.

e. Consideration of the interests of Reich Defense when drafting new laws. (Examples: Construction Industry, electrification of railways). Cooperation by the Ministries is requested. Considerations of thrift alone must not be the determining factor. The interests of Reich Defense must not be forgotten for one moment.

Min. Rat Delvendahl (Postal Ministry): Asks for the text of the cabinet resolution with regard to the Reich Defense Council.

Capt. Tschache (Ministry Office): Reads it.

Col. Keitel: Promises each of the ministries a copy of the decree of the cabinet resolution. A discussion of the work plans in separate sessions is planned for the beginning of June.

Ob. Reg. Diels (Prussian Min. of Int.): Asks the council to deal directly with the Gestapo Department with regard to Reich Defense problems, since furnishes the best guarantee for the secrecy of the problems and tasks and because that office is anyway the competent agency in the Pr. Min. of the Int. to deal with the district registration offices, Control agencies, border protection, etc.

sgd. Keitel

Distribution:
See list of participants in the
first part of the document.

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. EC 177

13 December 1945

I, EDGAR BODENHEIMER, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document No. EC 177.

EDGAR BODENHEIMER

H1228 - 0051

TRANSLATION OF DOCUMENT EC-243
OFFICE OF US. CHIEF OF COUNCEL

Ministerpraesident General Goering
Plenipotentiary for the Four-Year-Plan
St.M.Dev.1007.

Berlin, November 26, 1936.

Exhibit USA 637
Filed Jan. 11, 1946

Subject: Jurisdiction re Development of Raw and Synthetic Materials.

I.

1.) According to No.V of my decree of October 22, 1936 - St.M. Dev.265 - the Office for German Raw and Synthetic Materials will handle the following tasks:

a) Increase in production of German industrial raw material,

b) Planning and execution of production of German synthetic materials with the exception of industrial fats,

c) Promotion of research required in connection with the tasks mentioned,

d) Mineral oil industry, including control of imported materials as well as materials produced outside of the Four-Year-Plan.

Under No.XI paragraph 2 of the same decree, I made clear that only the head of the Office for German Raw and Synthetic Materials will carry the responsibility for carrying out the raw and synthetic materials program within the limits of the means at hand and also of the available materials and manpower. An exception will be the department for industrial fats, which according to my order is under the supervision of engeneer Keppler.

On the other hand I have decided under No.I paragraph 2 of the above mentioned decree that the work must be done in fullest cooperation with the proper offices, whose responsibility remains unlimited within their field of work.

For the competency of the Office for German Raw and Synthetic Materials on one hand and of the Reich Ministry of Economics and the subordinate offices on the other hand as also for the cooperation between the Reich Ministry of Economics and the Office for German Raw and Synthetic Materials, the following procedure will apply:

II.

2.) The mineral-oil industry (under d above) will be controlled by the Office for German Raw and Synthetic Materials. It includes in its field of work the following:

a) Promotion of increased industrial production;

b) Control of the existing fuel-production plants;

H1228 - 0052

H1228 - 0053

c) Increase in oil production;

d) Regulation and supervision of fuel storage;

e) Safeguarding of the supply of the Armed Forces and industry;

f) Regulation of the fuelmarket;

g) Promotion of import.

To carry through these tasks, the powers in the field of the mineral oil industry, which had been delegated to the Reich Minister of Economics by a decree of September 4, 1934 (RGBL I, p.816) concerning commodity exchange - in particular the supervision over the control agency for mineral oil - are transferred to the Head of the Office for German Raw and Synthetic Materials. Orders of the Reich Office for Foreign Exchange Control will also be issued to this control agency with the approval of the Office for German Raw and Synthetic Materials only, in accordance with and persuant to section 2, paragraph 2 and section 3, sentence 2, of the law on Foreign Exchange Control of 4 February 1935 (RGBL I p. 106).

The bureaus "Distribution of Raw Material" and "Foreign Exchange" ("Devisen") of the Four-Year-Plan shall participate in the work of the mineral oil industry to such an extent as their purposes should warrant.

The Institut for Scientific Research (Wifo) will be subordinate to the Office for German Raw and Synthetic Materials insofar as this Institute carries out construction of fuel tank storage plants.

The field of work of the bureau of the fuel industry is so closely related to that of the Office for German Raw and Synthetic Materials, that the supervision must be exercised by the latter. Insofar as it remains a part of the general organization of economics, instructions on general policy will be issued by the Reich Ministry of Economics. In order to maintain this connection, it is necessary that these instructions shall always be given in agreement with the Office for German Raw and Synthetic Materials.

III.

1.) The task of planning and carrying out of production of German synthetic materials (above under b) concerns the production of materials, which will replace raw materials, which up to the present have not been produced in Germany at all or have only been produced in insufficent quantities. The duty of the Office for German Raw and Synthetic Materials is the development of suitable and adequate production branches, which must

be set up within the framework of the Four-Year-Plan. The development of the production in question includes the guarantee for the financing of plants.

The Office for German Raw and Synthetic Materials shall regulate in close cooperation with the bureau "Distribution of Raw Material" of the Four-Year-Plan the systematic allocation of synthetic materials from their production to their further processing, and the use of these materials wherever the production is sufficient and the materials can be used as a substitute for raw materials.

In organizing, financing and executing the production of German synthetic materials as well as in allocating these for further processing, the above mentioned offices will be held responsible for the prompt, complete, and expert accomplishment of the tasks to be solved with in the framework of the Four-Year-Plan.

2.) Adequate participation of the Reich Ministry of Economics will be necessary in order to protect the natural relationships with the whole system of economics and therefore with the general economic policy. This will occur in the setting up of the new branches of production, especially when experts of the Reich Ministry of Economics will be consulted, who will thus be given the opportunity to judge the plans submitted by my offices and their execution from a professional and overall - economic point of view. Financially the cooperation of the Reich Ministry of Economics - regardless of the participation of the Reich Ministry of Finance - will exist insofar as agreements about market guarantees - except in the field of mineral oil industry - are concluded by the Reich Minister of Economics, and this in addition to the current cooperation of an expert competent in the field. The participation of the Reich Minister of Economics in the allocation of synthetic materials to further processing takes place through the control agencies as in the case of other raw material control.

IV.

It is self evident that, in view of the tasks which are handled by the Office for German Raw and Synthetic Materials, research (compare above under c) shall be brought to the closest attention of the executive office.
A technical surveying office has been established which will accumulate practical knowledge in the relevant fields of work, and which will also be at the service of other departments. In view of this it seems unne-

TRANSLATION OF DOCUMENT EC-243
OFFICE OF US. CHIEF OF COUNCEL

I request, therefore, that this agency be dissolved.

V.

The increase in production of German industrial raw materials within the framework of the Four-Year-Plan (compare above under a) will be mostly concerned with increased production of the mining of metallic raw materials. The planning and determination of objectives as well as the control over the execution of the tasks which must be accomplished within the framework of the Four-Year-Plan, are the responsibility of the Office for German Raw and Synthetic Materials which supersedes the authorities which have hertofore been in charge of these tasks. This does by no means exclude the further participation of these authorities. On the contrary, the Office for German Raw and Synthetic Material will call on them as much as possible to insure a smooth and efficient execution and a complete and expert control of the work. Close cooperation must be maintained with the Department of Mining of the Reich Ministry of Economics for which the directives under III No.2 will apply. Under the jurisdiction of the Department of Mining will remain specifically the policing of mines and the general economic-political management of existing and newly constructed plants, as has been the practice and as it is specified by law. The Department of Mining will maintain close connections with the Office for German Raw and Synthetic Materials insofar as their activities will affect the work of the latter office. The above mentioned instructions re financing will also apply to these activities of the Office for German Raw and Synthetic Materials.

VI.

In its work the Office for German Raw and Synthetic Materials will have to keep in direct contact with the expert of your organization. If, in the course of business negotiations, differences of opinion should occur between my office and those offices subordinate to you, they will be cleared in concurrence with your Ministry.

signed G o e r i n g

To
The Reich and Prussian
Minister of Economics.

I, Annemarie C.Catlin, hereby certify that I am thoroughly conversant with the German and

Exhibit USA 641
Filed Jan. 11, 1946

TRANSLATION OF DOCUMENT NO. EC-244
OFFICE OF U S CHIEF OF COUNSEL

H1228 - 0056

Volume 94-4

The Reichswehrminister
and Supreme Commander
of the Armed Forces.
WFstG.O. Nr. 533/37 g.K.Ia[F]

Berlin W. 35
February 22, 1937

SECRET COMMAND MATTER

"My Fuehrer!

"The plenipotentiary for war economy is to be considered under your instructions as laid down in the Reich Defense Law of May 21st 1935 a Supreme Government Authority (oberste Reichsbehörde). You have appointed Reichsbank President Dr. Schacht as head of that organization.

"The President Dr. Schacht has notified me that he is not acting in his capacity as plenipotentiary for the time being since in his opinion there is existing a conflict between the powers conferred upon him and those of Col. General Goering. Because of this the preparatory mobilization steps in the economic field are delayed.

"For purposes of clarification may I point out that in my opinion there is no overlapping in the realm of economic mobilization between the work of Col. General Goering as head of the Four Year Plan and that of the plenipotentiary for war economy.

"The Four Year Plan has as its object, with regard to economic rearmament, to clear all bottlenecks within this program now, i. e. in time of peace. Especially the proposals to secure Germany's own needs for ore, fuel and rubber are of greatest significance from the point of view of a war economy.

"The plenipotentiary on the other hand is entrusted with the task of preparing the existing economic forces of Germany for the event of war and to exploit these forces in the most useful way for the people and the army, should war break out. It is a matter of course that the two organizations should keep each other informed about all transactions made by either one of them. Since moreover the basic directives for the preparation of economic mobilization originate with my office, any controversy between the plenipotentiary and the head of the Four Year Plan can easily be avoided.

"If you, my Fuehrer, agree with my view regarding these jurisdictional questions, it may be possible to induce Reichsbank President Dr. Schacht, whose co-operation as plenipotentiary for preparation of war is of great significance, to resume his former activity."

Signed: von Blomberg

q.t.l.
Signature illegible

CERTIFICATION OF TRANSLATION
OF DOCUMENT NO. EC-244

I, LEO LOEB, civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of the Document No. 244.

LEO LOEB

H1228 - 0057

TRANSLATION OF DOCUMENT NO.EC-248
OFFICE OF U.S. CHIEF OF COUNSEL

Chief of Armed Forces
In Reich War Ministry

Berlin W 35 The 14 June 1937
Jizpitzufez 72-76
Telephone Bi Kurfuerst 8191

No. 1067/37 Top Secret L IV a
Subject;
Cooperation of the Plenipotentiary General and the four year Plan for War Economy

3 Copies
2nd copy

TOP SECRET

Most honored State Secretary,

As you already know, the President of the Reich bank Dr. Schacht makes his exercise of his function as plenipotentiary General for War Economy, dependant upon an arrangement concerning the cooperation with the commissioner for the Four Year Plan.

I know that a necessary practical basis for it had been already found, and only a formal agreement is needed in order to carry on the common work.

I beg you now to speed up if possible this agreement with the President of the Riechbank Dr. Schacht for the following reasons:

Because the President of the Reichbank, Dr. Schecht is not exercising his office as the Plenipotentiary General the desicions on essential problems of mobilization and conduct of war remain unacted upon.

The special advisors of the plenipotentiary general can, without responsible leadership, do nothing else but raise objections against numerous projects of the Reich War Minister. At such a slow pace the complicated modern war instrument can not be prepared to waste time, in our situation would be the greatest reproach that history could make upon us.

May I beg, therefore, once more that the arrangement mentioned bxpedited and that I be notified accordingly.

After dispatch
Economic staff

Heil Hitler
signed
Keitel

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. 248-PS

Nov 29, 1945

I, CHARLES E. BIDWELL, S/Sgt, 13146054, hereby certify that I am thoroughly conversant with the German and English language; and that the above is a true and correct translation of document no. 248-PS.

CHARLES E. BIDWELL
S/Sgt
13 14 60 54

H1228 - 0058



TRANSLATION OF DOCUMENT EC -251
OFFICE OF U.S. CHIEF OF COUNSEL

The president of the board of
directors of the Reichsbank

Dr.Hjalmar SCHACHT
as plenipotentrary

Berlin W 8, 21 July 1937
Behrenstr. 43
Tel: collective number
A 6 Merkur 4351

GB 1515/37 g.Rs.

(Stamp:
Replies to be sent to the same address without the words "as plenipotentrary", attention Min.Dr. WOHLTHAT.)

Top Reich Secret

To:

a) the Reich and Prussian minister of economics, attention: Counsellor GODLEWSKI or deputy in office,

b) the Reich and Prussian minister for food and agriculture, attention: Counsellor Dr.DIETRICH or deputy in office,

c) the Reich and Prussian labor minister, attention: Counsellor SCHROEDER or deputy in office,

d) the Reich and Prussian conservator of forests, attention: State conservator of forests SCHUETTE or deputy in office,

e) the Reich minister of finance, attention: Counsellor Dr. BENDER or deputy in office,

f) the Reichsbank board of directors, attention: Reichsbank director Dr.MUELLER or deputy in office,

g) the Reich ministry and head of Reich office for territorial allocation (RAUMORDNUNG), attention: Counsillor Dr. SCHEPERS or deputy in office,

h) the Reich minister of foreign affairs (foreign office), attention: Councillor von SCHMIEDEN or deputy in office,

i) the Reich and Prussian minister of the interiar, attention: Counsellor WAGNER or deputy in office,

k) the Reich war minister and commander in chief of the Wehrmacht, attention: aa) Colonel JODL ) or deputy in
bb) Colonel THOMAS ) office

l) the Reich minister of justice, attention: Counsellor HAASTERT or deputy in office,

m) the Reich minister of Postal Services, attention: Counsellor SCHROEDER or deputy in office

(illegible notes)

H1228 - 0059



TRANSLATION OF DOCUMENT EC-251
OFFICE OF U.S. CHIEF OF COUNSEL
(Continue)

n) the Reich and Prussian minister for transportation , attention: Counsellor PIGGE or deputy in office,

o) the Reich minister of national orientation and propaganda, attention: Major von WROCHEM or deputy in office,

p) the Reich minister for air and commander - in - chief of the air force,
attention: Major of the general staff ERDMANN or deputy in office,

q) the Reich minister for science, education and national schooling,
attention: Ministry director Dr. KRUEMMEL or deputy in office,

r) the president of the Prussian ministry (Prussian state ministry),
attention: Councillor NEUMANN or deputy in office,

s) the state secretary and chief of Reich chancellery,
attention: Counsellor Dr. WILLUHN or deputy in office,

t) the inspector general for German highways,
attention: Assesor for the government HENNE or deputy in office,

Berlin.

Enclosed I am sending for you information a statement about the cooperation of the plenipotentiary for the war economy with the commissioner for the 4-Year plan.

The deputy

signed WAOHLTHAT.

stamped:
Reich and Prussian
Ministry of Economy

Certified
( illegible )
Secretary

H1228 -0060



TRANSLATION OF DOCUMENT EC-251
OFFICE OF U.S.CHIEF OF COUNSEL
(Continue)

Copy to GB 1515/37 g.Rs.

20 copies
11th copy

Top Reich Secret

A verification of previously posed fundamental questions which are settled herewith, bade by both undersigned upon the order of the Fuehrer and Reich chancellor, has demonstrated that the tasks of the commissioner of the 4-year plan and the tasks of the plenipotentrary for the war economy are being solved in closest mutual cooperation. Besides there is no doubt that the position of the plenipotentrary for the war economy equals that of a supreme Reich authority.

signed: Hermann GOERING signed: Dr.Hjalmar SCHACHT

Berlin, 7 July 1937

to St.M.R.V. 653 g.Rs.

Encl.to No 2066/37 top secret
economics staff

- - - - - - - - -

CERTIFICATE OF TRANSLATION
OF DOCUMENT No EC-251

29 November 1945

I, Ernst M. COHN, Pfc 33925738, hereby certify that I am thoroughly conversant with the English and German language; and that the above is a true and correct translation of Document EC-251.

Ernst M. COHN
Pfc 33925738

TRANSLATION OF DOCUMENT NO. EC-252
OFFICE OF U.S. CHIEF OF COUNSEL

16.7.1937.

No. 1094/37 g.Kdos. IV a.

Subject: G.B. No. 1311/37 g.Rs.v.8.7.37. 2 copies.

Re : Measures for the preparation of the conduct of war 1 copy

STAMP: WStb.
20 July, 1937
No. 2029/37g K
1 enclosure

SECRET COMMAND MATTER

To :

W Stb

Attached copy of the above-mentioned letter is submitted for your information.

1 encl.

(Signed) Jodl.

---

Copy

8.7.1937.

The President of the Board of Directors of
the Reichsbank

Dr. Hjalmar Schacht

as Plenipotentiary General

GB 1311/37 g. Rs.

SECRET MATTER OF STATE

Re: W.A. No. 1094/37 g.Kdos. L IV a
of 21.6.1937

SUBJECT: Measures for the preparation of
the conduct of war.

To :

the Reich War Minister and Commander in Chief
of the Wehrmacht

General Fieldmarshal v. B l o m b e r g

Dear General Fieldmarshal:

At the occasion of the final conversations about the economic war games (wirtschaftliche Kriegsspiele) in Godesberg I declared it to be my task to submit to the supreme authority responsible for the conduct of State matters the fundamental facts on the basis of which the supreme State authority can made its decisions.

H1228 – 0061

H1228 - 0062

This concept is expressed also in the above-mentioned letter of the Chief of my operations staff (Fuehrungsstab) of 15 May 1937 -- GB 897/37 g Rs. -- in which it is particularly emphasized that by the direction of the supreme authority for the conduct of war, the coordination of the conduct of war will be assured in its execution through mutual agreement between you and me, which I look upon as a matter of course in the Central Authority and without which I cannot envisage any conduct of war. The direction of the economy by the plenipotentiary would in that event never "take place entirely independent from the rest of the war mechanism" but would be aimed at the accomplishment of the political war purpose with the mustering of all economic forces. I am entirely willing, therefore, to participate in this way in the preparation of the forthcoming order giving effect to the Reich Defense Act (Reichsverteidigungsgesetz).

I should like to reconsider at the appropriate moment the appointment of an official Secretary of State for the direction of the economic preparations for the conduct of war.

Heil Hitler

(Signed) Dr. Hjalmar Schacht

---

CERTIFICATE OF TRANSLATION OF
DOCUMENT NO. EC-252

I, Edith Simon (civilian) certify that I am thoroughly conversant with the English and German languages and that the foregoing is a true and correct translation of the Document No. EC-252.

(Signed) EDITH SIMON.

H1228 - 0063

OFFICE OF US CHIEF OF COUNSEL
Translation of Ec. 257

Copy of a personal letter dated 29 December 1937 from Schacht to Thomas thanking him for his New Year's greetings and then stating verbatum:

> "I think back with much satisfaction to the work in the Ministry of Economics which afforded me the opportunity to assist in the rearmament of the German people in the most critical period, not only in the financial but also in the economic sphere. I have always considered a rearmament of the German people as conditio sine qua non of the establishment of a new German nation.

The letter then states:

> "I particularly enjoyed the cooperation with your staff and particularly with you personally. In the past four years I have met with all kinds of opportunism and only rarely met with true and sincere friendship. I have no regrets in forgetting about opportunists with the resignation from the Ministry of Economics but the friends have remained. I thank you that you have afforded me such unreserved assistance in our mutual work and ask you to convey this message to your assistant."

---

CERTIFICATE OF TRANSLATION
OF DOCUMENT EC. 257.

23 November 1945

I, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of the indicated excerpt from Document EC. 257.

Exhibit USA 625
Filed Jan. 10, 1946.

H1228 - 0064

TRANSLATION OF DOCUMENT EC-258
OFFICE OF U S CHIEF OF COUNSEL

# THE PREPARATION

# OF THE ECONOMIC MOBILIZATION

# BY

# THE PLENIPOTENTIARY FOR WAR ECONOMY

## STATUS AT THE END OF DECEMBER 1937

H1228 - 0065

DOCUMENT NO. EC-258

CONTENTS

I. The task.

In war - In Peace.

II. The organization.

The leading staff as superministerial agency. The G. B. offices as ministerial level. Central offices under the ministerial level. The field authorities of the G. B. divisions as central level. Special deputies of the G. B. on the staff of the chief of the Civil Administration with the High Command of the Armies. Subordinate offices of the field offices of the G. B. divisions as agencies on a lower level.

III. The measures.

1) Industrial war economy.

A. Central regulation: Statistics of war economy - economic plans - preparations for the execution of economic plans, special regulations - coal economy - motor fuel economy - power economy - construction of storage rooms and preparation buildings, storing - evacuation and salvage - regulation of consumption.

B. Local securing - Distinction between R and KL plants. Protection of the KL plants.

2) War food economy.

War food plan - Preparations for execution of the war food plan - storing - evacuation and salvaging - regulation of consumption for the civilian population - supplying the Wehrmacht - agricultural card index - card index of the food industry - securing the KL enterprises.

3) War forestry and wood industry.

Wood economy plan - economic system - ascertaining the KL enterprises - securing the KL enterprises

4) Foreign trade in times of war.

Plans for import and export - preparation of the carrying out of the plans for import and export - ascertaining and protection of KL - export enterprises.

H1228 - 0066



5) Transportation in the war economy.

Ascertaining of transportation requirements - coordination of transportation requirements of military economy and Wehrmacht - transport situation in the Rhemisch-Westphalian Industrial Region - ascertaining and securing of trucks of KL enterprises.

6) Conscription of manpower in war.

Legal basis - preparation of labor conscription - ascertaining the available amount of manpower - ascertaining of war requirements of manpower - covering of wartime requirements - abolition of right to choose domicile in the event of war - relaxation of provisions on the working hours and the prohibition to employ certain persons - social protection.

7) War finance and money economy.

War finance requirements - covering of war finance requirements - self financing of war economy - war taxes - war loans - restrictions on traffic of money - securing of war important money requirements.

IV. Final remarks.

H1228-0067

DOCUMENT NO. EC-258

I.

The Task

In Wartime

The Plenipotentiary for War Economy (G.B.) pursuant to the non-published Reichs Defense Law of May 21, 1935, has the task to make available in case of mobilization all economic forces to the conduct of war and to secure the life of the German people economically.

The reasons for the law emphasize that the experiences of the great war proved the necessity to concentrate during a war the total economy and the whole system of financing of the conduct of the war under one uniform direction. According to the will of the Fuehrer and Reichs-Chancellor, the G. B. is to be in charge of this responsible direction and thus, together with the Reichsminister of War, who holds the executive power, be independent and responsible for the scope of his activities under the Fuehrer and Reichs Chancellor.

In Peace Time

The Plenipotentiary (G. B.) appointed by the Fuehrer and Reichs Chancellor for the case of mobilization has, pursuant to the resolution of the Reich Government of May 21, 1935, to begin his work already in peace time. According to the direction by the Fuehrer and Reichs Chancellor, in his capacity as Chariman of the Reich Defence Council, he has to direct the economic preparations for the case of war as far as they are not within the jurisdiction relative to the armament-industry of the Reich War Minister. G. B. and Reich War Minister have to make their preparations for mobilization in close mutual understanding.

II.

The Organization

The Leading Staff as Superministerial Agency.

For the uniform planning coordination and performance of all fundamental war economic preparations the G.B. has established a leading staff consisting of specialists of the following ministries and Reich authorities which are subject to it in war time and bound by its directions in peace time:

Reich Ministry for Economy
Reich Ministry for Food
Reich Ministry for Forest-Economy
Reich Ministry for Labor
Reich Ministry for Finance) for financing the conduct
Reichsbank Directory ) of the war.

The Reich Ministry for Transportation which, contrary to the request of the G. B. has not been brought into the sphere of the G. B. has, upon the desire of the G. B., put specialists at his disposal to work on questions of war economic transportation.

The War Economic Departments at Ministry Level

The offices within the G. B., in order to carry out the directions given to them by the G. B. and its leading staff, have appointed a Reich Defence Division Chief who is immediately under the

H1228 - 0068

DOCUMENT NO. EC-258

# I.

## The Task

### In Wartime

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# II.

## The Organization

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Reichsbank Directory ) of the war.

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### The War Economic Departments at Ministry Level

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H1228 - 0069



Secretary of State (Staatssekretar) or, as to the Reichsbank placed immediately under the President of the Reichsbank. The Reich defense Division Chiefs are responsible that the war economic preparations within the divisions are carried out uniformly. While as a rule the Reich Defence Division Chiefs make use for this purpose of the peacetime economy sections of the GB Divisions, there has been formed in the Reichs Ministry for Economy under the direction of the Reich Defense Division Chief an independent Economic Division for Armament which in collaboration with the other sections of this division shall take the measures necessary for the preparation of industrial war economy.

Central authorities below the ministry level.

The divisions placed under the GB, for the purpose of carrying out the individual war economic tasks, have assigned mobilization tasks to the following central agencies.

The Reichs Ministry for Economy:
- The Reichs Office for Statistics to assemble statistical figures for war economic production;
- The Control Offices to prepare the management of materials;
- The Reichwirtschaft Kammer (Reich Chamber for Economy) to limit economic publications;
- The Wirtschaftsgruppen (Economic Groups) to prepare plans for war economic foreign trade;
- The WIFO (Economic Research Cooporation with Limited Liability) to construct fuel depots and places for allertness and for the storage of raw materials and fuels important for war;

The Reichs Ministry for Food:
- The Reich Research Institute for Food Economy for drawing war food plans;
- The Reichs Offices to prepare the war food economy;
- The Reichsnahrstand (Reich Food Estate) to prepare the war food economy;

The Reich Office of Forestry
- The Control Office for wood to prepare the war wood economy

The Reichs Ministry for Labor
- The Reich Office for procurement of employment and unemployment insurance, to make preparations for the procurement of labor in case of war.

The field offices of the GB divisions as intermediate level.

The Reich Ministry for Economy, The Reich Ministry for Food, The Reich Office for Forestry and The Reich Ministry for Labor, for the purpose of carrying out district and local tasks, have created branch offices with 7 Prussian Chief Presidents, 2 Prussian District Presidents, 1 Bavarian District President and 4 Non-Prussian Lander Governments which are at the seat of a Military District Command (Wehrkreiskommando). With regard to the close cooperation with the military offices of the Wehrkreiskommando the areas of the field offices are not to be coordinated with the areas of the offices of the general and interior administration to which they are attached, but with the Military districts (Wehrkreisen). An exception is made as to the areas of the field offices Dusseldorf and Munster which together correspond to Wehrkreis VI.

H1228-0070



To guarantee the uniform collaboration within the sphere of GB also on the intermediate level, GB has since 1½ years requested that the field offices of GB be combined at the same seat of the office into economic section for armament under the direction of a Reguerungsdirector (Government Director) to be appointed by him in agreement with the GB departments. The Reich Minister of Interior has not met this demand yet but advocates in a drill for the Preparation of the War Administration (KRG), which at present is with the Fuehrer and Reichskanzler, the formation of general RV division comprising all mobilization preparations in the civilian sector under a director to be appointed by him.

In wartime the field offices of the GB divisions form the Gau economic offices (Ganwirtschaftsamter) to be formed within the offices of the general and interior administration with the following divisions:

Industrial War Economy
War Food Economy
War Forestry and Wood Economy
War Labor Economy.

The Reich Finance Ministry and the Reichsbank for the purpose of carrying out their tasks within their field districts make use of their following subordinated offices: The Landesfinanzamter (Finance Offices for the Provinces), Finanzamter (Local Finance Offices), Main custom offices etc., and the Reichsbank Main Branches, Reichsbank offices and Reichsbank subordinate offices.

Special deputees of GB on the staff of the chief of civil administration with the Army High Commands.

In wartime the executive power in the field of operations passes over to the Army Chief Commanders who excerise their authority in the civil administration through the Chiefs of Civil Administration (CdZ) assigned to them by the Reichsminister of Interior. The GB sends an own special deputee to the staff of each CdZ who has to carry out all war economic orders issued by the Army Chief Commander to the CdZ. If there are no directions to the contrary by the Army Chief Commander, the Special Deputee of the GB on the staff of the CdZ has to take care that all orders of the GB and the divisions belonging to the jurisdiction of the GB are carried out uniformly in the field of operations. For this purpose the Gau economic offices (Gauwirtschaftsamter) within the offices of the general and interior administration are subordinated to him. The GB has selected the Special Deputees in agreement with the Reichsminister of Interior, the GB must now appoint and instruct them.

Subordinate offices of the field offices of the GB departments as agencies on a lower level.

The following offices are subordinated to the field offices of the divisions under the authority of the GB, for carrying out district and local preparations:

The Regierungs Presidents and corresponding non-Prussian authorities;
The Landrats, Chief Mayors and corresponding authorities for preparation of ration certificates and the preparation of industrial evacuation and salvaging;
The Industry Supervising Offices for examining the procurement of labor forces in the industrial KL plants;

H1228 - 0071



The Chambers for Economy (Wirtschaftskammern) for general war economic preparations in the economic districts and for limitations on economic publications;
The Chambers of Industry and Commerce for securing the productive capacity of the industrial KL plants
The Foreign Trade Offices for securing the capacity of the industrial KL plants as to export production.

To the field offices of the Reichs Food Ministry:
The Land farmers organizations with the especially created offices for making the food situation secure, for the preparation within their districts of the war food economy.
The Kreis farmers organization (Kreisbauernschaften) for the local preparation of the War Food Economy;

To the field offices of the Reich Forestry Office:
The Land Forest Masters and Land Foerstry Administrations for general district questions referring to war forest and wood economy;
The Forestry Offices for local questions of the war forest economy;

To the field offices of the Reich Labor Ministry:
The Land Labor Offices (Landesarbeitsamter) for general preparation of wartime use of labor in their districts;
The Labor Offices (Arbeitsamter) for securing the labor forces in the KL plants of the total war economy and other plants in need of labor outside of the Wehrmacht

A general survey of the total organization for the preparation of the war economy is shown in the attached chart.

III.

The Measures.

1. Industrial War Economy.

A. Zentral Regulation.

The preparation of industrial war economy is divided into:
1) a central regulation of the production and consumption of industrial products.
2) a local securing of production in the industrial KL plants and of consumption of the civil population.

Statistics of War Economy.

For the purpose of securing basic information for the central general regulation of production, and consumption, the Reichs office for Statistics has collected comprehensive war economic statistical figures of the whole German industry in 1936, just as it was done in 1933.

These statistics comprising 300 branches of industry with 180,000 industrial plants, pertains to the composition of the labor force as to sex, age and training, the consumption of raw and auxiliary material, fuels, power, the productive capacity, the domestic and foreign trade as well as the supply of material and products in the beginning and at the end of the year.

H1228 - 0072

DOCUMENT NO. EC-258

The information received from the individual plants have been collected in a factory card index and will when photostated be put at the disposal of the field offices of the Reich Ministry for Economy as basis for locally securing of the industrial KL factories.

The reports of the individual enterprises will also be put together for the district of each foreign field office and for the Reich classified as to branches of industry and will be used in the central and intermediate agency as basis to judge on the significance of the individual enterprises within the Reich and foreign districts.

The results of branches of industry of a coherent industry group supplementing each other are for the purpose of showing the mutual dependence with respect to various materials and products combined into industrial family trees. Equally the flow of materials into the various branches of industry and over the various grades of processing is shown by material family trees.

Economy Plans.

On the basis of these statistics collected by the Reichs Office for Statistics economic plans are drafted in the division for war economy of the Reich Ministry for Economy in cooperation with the control offices and industry exports for about 200 materials, half of which have already been worked out. In these plans the needs of the Armed Forces and the civilian minimum needs in wartime are compared with the covering thereof by supplies and production. A deficit will be reported to the office for German raw and working materials and be considered in the execution of the Four Years Plan. In addition it will be registered as import needs in the foreign trade plans which are worked out by the war economy division of the Reichs Ministry for Economy in cooperation with the economic groups of the organization of the industrial economy. The export needs set up in these plans for the purpose of compensating with the import needs, as far as raw materials for manufacturing purposes are concerned, again find consideration in the economic plans mentioned before. For East Russia special economic plans are being worked out.

Preparations for carrying out the economic plans.

The economic plans serve as basis for the legal and organizational preparations. According to the unpublished War Contribution Law (RLG) of May 21, 1935, in case of war contractual agreements are replaced by the contribution duty of the individual. Based upon this law (RLG) a decree on the creation of Reichs offices, orders the establishment of State economic offices authorities, which are set up by converting the control offices into Reich offices with increased authority (the right to earmark, seize and assign). The supervisory boards already drawing up their plans for distribution of war contracts are preparing their orders for the regulation of war contracts and fees, they are securing for themselves their indispensable personnel by collaboration with the replacement offices of the Wehrmacht and the field offices of the Reich Office for the Procurement of work and Unemployment Insurance, and they are working out, on the basis of the economic plans submitted to them, a system of management within the framework of their authority. They are preparing the orders which are necessary to carry out this economy in case of mobilization.

H1228 - 0073



Special regulations.

For the handling of coal motor fuels and power farthergoing regulations have been prepared in view of the k and l importance of these materials.

Coal economy.

In case of mobilization the authority to supervise the coal production and to distribute the coal will be transferred to the Reich Coal Commissar. He will also be in charge of the immediate distribution to the large consumers and armament factories. The Gau economic offices (Gauwirtschaftsamter), in whose "individual economy" division Gau coal offices (Gaukohlenstellen) are set up, are further charged with distribution of the contingents allotted to them by the Reichs Coal Commissar for the other war important and vital plants and for domestic consumption. Special local coal offices serve this purpose which will be incorporated into contemplated economic offices in the offices of the Landrats, Chief mayors and corresponding authorities. To improve the coal stock situation in the protected territory the Rhenish-Westphalian Coal Cyndicate maintains a mobilization stock of 500,000 tons near Magdeburg. For the same purpose the Reichsbahn has increased its supplies by 500,000 tons. To ease the situation of the Reichsbahn which in case of a mobilization will be heavily burdened by the deployment of and replacement for the Wehrmacht, the industrial plants with an annual consumption of more than 3000 tons have been requested to store a coal supply of 3-4 months.

Motor fuel economy.

For the preparation of the fuel management investigations have been carried out in order to find out the needs for fixed and movable motors, and in order to find out the capacity of the storage facilities an investigation regarding the tap and gasoline stations has been carried out. On the basis of the results of these investigations and the needs of the Wehrmacht and the existing possibilities to cover the demands, the Control Office for Mineral Oils as Reich Office will allot to the Gau Mineral Oil offices (Gaumineralolstellen) which are to be established in the divisions for industrial war economy of the Gau economy offices (Gauwirtschaftsamter) group contengents for the distribution to large consumers, such as railroads, post, shipping. In addition the Gau Mineral Oil offices will allot subcontingents to the Kreis Mineral Oil Offices, to be created in the planned economic offices of the Landrats, Chief Mayors and corresponging authorities, of which their and kl plants and other k and l important consumers can dispose by ration cards which have been prepared already. Besides now definite gasoline stations and gasoline stores have been designated to the Wehrmacht for the first equipment of the troops in case of mobilization, and which are needed only for the first days after mobilization. A report on the construction of Reich owned large gasoline storage places and intermediate gasoline storage places as well as on the storage of national fuel reserves in these for purposes of the Wehrmacht will be rendered in another place in connection with the work of the Economic Research Corporation (Wifo).

H1228 - 0074



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H1228 - 0075

DOCUMENT NO. EC-258

Power economy.

In the field of energy economy the Law Concerning Power Economy furnishes effective means to prohibit war economically undesirable construction plans and to promote construction plans necessary for the war economy. In the center of the military energy policy is at present the extension of the German compound economy by combining the individual lines into a Reich collecting line, the German Ring. The already appointed Reichs Burden Distributor (Reichslastverteiler) and ten district burden distributors (Bizirkslastverteiler) will have to decide on power supply in the case of mobilization. By instructing these burden distributors about the needs of the R-industry and the war economy to be covered under any circumstances, care will be taken that in case of energy saving which might become necessary, in the first time the need unimportant for war be throttled or cut off. It is practiced by maneuvres (Planspile) what measures have to be taken in case places of power generation should be eliminated.

Construction of supply rooms and readiness arrangements supplies.

The Reichsminister of Economy, to overcome bottlenecks in the war economical situation founded in the fall of 1934, the Economic Research Corporation m b h (Wifo) The Wifo which at present employs 1300 employees and workers including guards has, for the finishing of constructions and storage, invested up to now 248 million Reichsmarks.

The constructions of Wifo are as follows:

1) Large storage facilities:
   a total of 9 with a capacity of 150,000 tons,
   a) ready 3
   b) under construction 6
2) Facilities for supplement: a total of 30 with a capacity of 150,000 tons,
   a) ready 7
   b) under construction 6
   c) planned 17
3) Readiness constructions for the production of nitric acid, Oleum, carbide alcohol and alumina: a total of ten, of which are
   a) finished and taken into operation according to the provisions of the Four Years Plan 3
   b) finished 4
   c) under constructruction 3

In all these readiness constructions can be produced;

183,000 tons per year of nitric acid
118,000 tons per year of oleum
20,000 tons per year of carbide alsohol
50,000 tons per year of alumina.

The supplies furnished by Wifo comprise, according to the status of December 1, 1937:

266,000 tons carburator fuel
94,000 tons Diesel fuel
43,000 tons of lubricating oil
40,000 tons of manganese ore
4000 tons of ferro nickel
1000 tons of copper
800 tons of magnesium
400 tons of antimony
75 kilograms of platinum

H1228 - 0076



Evacuation and salvage.

In cooperation with the 6th division of the General Staff of the Reich War Ministry directions on the preparation and execution of the economic evacuation have been worked out. According to an emergency list for evacuation goods and an evacuation list for skilled workers, the supplies and skilled workers in the evacuation zones are registered, earmarked for transportation into certain salvage areas and registered with the Wehrkreiskommandos by the field offices of evacuation and salvaging plans. The Wehrkreiskommandos following these evacuation and slavaging plans issue their evacuation plans, the execution of which is prepared with special regard for transportation under the supervision of the District President (Regierungspraesidenten), the Landrate and corresponding authorities with the support of special evacuation commissars. The supplies secured by evacuation will find consideration as supplementary reserves in the contral economic plans.

Regulation of consumption.

The management of production is supplemented by a regulation of the consumption of the civil population. The Reich Minister of Economy in cooperation with the Reich Food Minister and the Reich Minister of Interior has worked out a decree for securing the vital needs of the German people with four execution decrees (for food, coal, soap and cleansing agents, textiles and shoes). For purposes of economy and in order to prevent covering of needs which is not uniform (hoarding) these orders introduced a system of ration cards which will be effective immediately in case of mobilization. The 80 million ration cards necessary for this purpose have already been printed and deposited with the Landrate, Chief Mayors and corresponding authorities. The further distribution of the ration cards to the individual households is prepared by these authorities to take place within 24 hours after mobilization has been ordered. The ration cards are valid for the first four weeks after mobilization. Subsequently a more detailed seperate system of rationing will become effective for the industrial war economy and the war food economy which is being prepared at present.

B. Local Securing.

The contal regulation of the production and consumption of industrial products is supplemented by a local securing of the production by the field offices of the Reich Ministry for Economy.

Distinction between R - and KL - Enterprises.

The aforementioned resolution of the Reich Government dated 21 May 1935 confess the direction of the economic preparations for the event of war on the Plenipotentiary (GB) only insofar as these preparations are not within the jurisdiction of the Reich War Minister relative to the armament industry. The Reich War Minister has combined the war requirements of the three parts of the Wehrmacht with regard to first equipment and replacement (Nachschub)in a programme for finished goods (Fertigungsprogramm). According to this plan for finished goods the military agencies will place with certain suitable industrial enterprises mobilization contracts providing for the delivery of finished implements of war and war contracts providing for the delivery of

H1228 - 0077



finished emplements of a kind customary in commerce. Industrial enterprises which obtain an order for finished implements of war will be designated by the Reich War Ministry as armament enterprises (R-enterprises). Thereby they pass under the special jurisdiction of the Reich War Ministry; at the present time there exist approximately 2800 R-enterprises. Within the scope of his jurisdiction as Plenipotentiary (GB) the Reich Minister for Economic responsibility for maintaining the KL production and the production for expertation which is within the capacity of the R-enterprises not absorbed by mobilization contracts. However, he must report to the military authorities which have jurisdiction over those R-enterprises which measures are necessary to secure the aforementioned maintenance of production and the military authorities shall first ascertain that these measures do not impair the performance of the mobilization contracts and shall then include them in the mobilization calendar. Only after the inclusion in the mobilization calendar may be taken the measures relative to the part of the R-enterprises not used for mobilization contracts.

As to all measures outside of direct production (ausserbetrieblich), e.g. providing with material, fuel and motor fuel, energy and manpower, the Plenipotentiary has jurisdiction also with regard to R-enterprises. Through the Reich Ministry for Economy and its field offices he supervises also those industrial enterprises with which the military authorities (Bedarfsstellen) which are necessary for maintaining of expertation and the supplying of the civilian economy and population with vital necessities are designated by the Reich Minister for Economy as KL-enterprises. Wholesale and craftsman enterprises which are important to the war economy can also be designated as KL-enterprises. The field offices report to the Command of Military Regions (Wehrkreiskommandos) all of the KL-enterprises (approximately 25,000). The Command in turn will see to it that the KL-enterprises are covered by the Local Police Protection. (Ortsschutz der Polezei) and the Airptotection of the District Confidence Agencies (Bereichsvertrauensstellen) of the Reich Group Industry which are placed under the authority of the Reich Air Minister. Besides the most important KL-enterprises will be reported by the field offices to the Regional Military Commands (Wehrkreiskommandos) in order to insure to them Active Air Protection (Flaks, fighter squads).

Security of KL-enterprises.

The field offices of the Reich Ministry for Economy appoints in each KL-enterprise a trusted person whose reliability has been investigated by the Secret State Police. In accordance with the directives of the field offices of the Reich Ministry for Economy these trusted persons shall carry out the measures which guarantee the maintenance of the production of their enterprises in event of mobilization. In particular they shall report to the competent Labor Offices for exemptions from military service and draft for civilian service all of their workers and employees who are indespensable to their enterprise. In the same manner they shall report to the field offices of the Reich Ministry for Economy for exemption from military and civilian draft requirements all of the motor trucks on which their enterprises depend. The field offices of the Reich Ministry for Economy apply with the competent Military Replacement Inspections (Wehrersatzinspektionen) for exemption of the trucks and secure for the KL-enterprises the trucks exempted and not required by the Wehrmacht. For those KL-enterprises as to which in the extent of mobilization there must be expected with certainty a maximum use of their capacity (e.g. mining iron industry) as a transformation of their production (e.g. chemical industry, etc.) production plans will be made by the Reich Ministry of Economy. These Places will be transmitted by the field offices to the

H1228-0078

the trusted persons of these KL-enterprises. The trusted persons of these enterprises shall have all protective measures on these plans of production. The trusted persons shall list all the protective measures taken by them in a mobilization calendar. For this purpose the trusted persons have been furnished with/

2.) War Food Economy /special instructions.

In order to obtain an exact survey of the possibilities of supplying Germany in the event of a mobilization, which takes into account various cases, such as a blockade or a war on two fronts, the Reich Food Ministry has caused the Research Agency for Food Economy to draw up annual food plans beginning 1 April 1934.

Preparation of the Execution of the War Food Plan

In order to execute the War Food Plan the Reich Food Minister has completed drafts of a skeleton decree relative to the organization of the War Food Economy and of several decrees relating to the public management of the various agricultural products. The provisions thereof have been drafted in such a manner that they can be adapted at any time to the changes based on the peacetime economic measures. On this legal basis the competent Central Associations of the Reich Food Estate (Hauptoereiuigungen des Reichsuahrstandes) and the Reich agencies (Reichsstellen) of the Reich Food Ministry prepare plans concerning the management of the individual kinds of victuals.

In order to carry out the Food Economy Plan the Reich Food Estate is placed under the authority of the Reich Food Ministry in the event of mobilization. With the District Economy Offices (Gauwishschaftsamter) which will function in the event of mobilization as an intermediate government agency of the general administration. There will be established a branch for War Food Economy. The external agencies of the Reich Food Ministry are the gercells from which that branch will develop. The branch will be divided into two subdivisions, one of which will deal with the regulation of the production and its control (Erfassung) by the competent Country Peasantry (Landesbauemschaft) while the other will handle the regulation of distribution and of consumption by the competent agencies of the general administration. Similarly divisions for war food economy will be established with the planned Economic Offices (Wirtschaftsstellen) of the Landrate, Chief Mayors, (Oberbergermeister) and of similar governmental agencies. The related agencies of the Kreis Peasantries (Kreisbauernschaffen) shall be merged into those divisions for war food economy.

Storage

Owing to the serious food situation it has not been possible to store food to the extent necessary in case of mobilization. At the present time there exists only the following national reserve in case of war:

19000 tons of oats, 2000 tons of legumes, 1500 tons of butter and considerable quantities of fruit pulp for the making of marmalade.

Evacuation and Salvaging

Within the framework of the directives agreed upon by the Plenipotentiary (G.B.) and the Reich War Ministry relative to the preparation and execution of the evacuating and salvaging of agricultural products and of animals has also been regulated. Excepting certain deviations, that regulation follow generally the same lines as the precedure prescribed for the removal and salvaging of industrial products (see page 12). The provisions salvaged by removal will constitute an additional reserve for the war food economy in the protected zone.

Rationing of Supplies for Civilian Population.

As was stated above in the section on industrial war economy, in the event of mobilization all vitally important food stuffs will be covered by a system of rationing certificates (Bezugsschein) pursuant to a Decree on the Safeguarding of the Vital Necessities of the German People and regulations thereunder. Drafts of both the decree and the appertaining regulations have been completed. It has already been stated that rations certificates have already been printed and have been distributed to the lower administration agencies and that preparations have been made to issue them to the individual households within 24 hours.

A special regulation made in accord with the Reich War Ministry regulates

H1228 - 0079



the supplying of the members of the Army, or the Police etc. who live in common lodgings in Germany and are fed in messes.

Supplying of Wehrmacht.

Pursuant to the Principles regarding Supply agreed upon with the Reich War Ministry productive (leistungsfahige) enterprises have been ascertained which have been directed to furnish the food replacement warehouses with certain quantities in the event of mobilization. The collection of oats, roughage and potatoes for the Wehrmacht has been prepared by fixing the shares of the intermediate and lower agencies of the Reich Food Estate. Similarly the supplying of the Wehrmacht in the zones of operation will be regulated.

Agricultural Card Index

In order to ascertain the kind and effieiency of the agricultural establishments the Reich Office for Statistics is preparing a card-index of altogether 1,6 millions of establishments. Under the supervision of the Reich Food Ministry and its field offices (Aussenstellen) this card-index is being distributed among the Kreis-Peasantries (Kreis bauernschaften) and managed by them. From year to year it will be kept up to date by means of a farm card (Hof Karte).

Card-Index of Food Industry

Within the framework of the Inquiry into Military Economic Production of the German Industry made by the Reich Office for Statistics the establishments of the food industry have also been checked and the material has been collected in a factory card-index. This factory card-index system is being managed by the field offices of the Reich Food Ministry, which, on the basis of that index, investigate the ever-important establishment of the food industry and declare them to be KL-establishments.

Protection of KL Establishments.

KL-es tablishments of the food economy are protected similarly to KL-establishments of the industrial economy. Thus, in particular, the field offices of the Reich Food Ministry will notify the Commands of the Military Districts (WehrKreisKommands) of the KL-establishments which may have to be the subject of local police action and active and passive air protection. The material needed by agricultural enterprises has been ascertained for each district (Kreis) on the basis of thorough investigations by the Reich Food Estate. The field offices of the Reich Food Ministry will notify the field offices of the Reich Ministry for Economy of that material needed and the latter field offices shall see to it that these needs will be satisfied. The field offices of the Reich Labor Ministry, the State Labor Offices (Landesarbeitsamtor) and the Labor Offices (Arbeitsamter) will cooperate in preparing the securing of the indispensable farm hands and of the skilled workers necessary for the food industry. In the same manner as it is done in the case of the industrial economy the trucks necessary for agricultural enterprises and enterprises of the food economy will be ascertained and secured. It is planned to collect all protective measures in mobilization calendars.

3.) War Forests and Wood Economy

Wood Economy Plan

In order to establish a Plan for Wood Economy the Reich Forest Master has initiated a thorough investigation of the existing wood supply and the requirements of wood. On the basis of the existing material related to the peace time requirements the civilian mimimum requirements in the event of war can be estimated with a fair degree of accuracy. However, in spite of several requests made, it was not yet possible to obtain from the Reich War Ministry information on the requirements of the Armed Forces. For this reason the Wood Economy Plan could not yet be completed.

H1228 - 0080



System of Management

Independently from this not yet completed work, the Reich Forest Master has made legal and administrative preparations to carry out the management of wood (Holzbewirtschaftung) in the event of War. As w as done in the field of industrial economy, it has been provided to transform, in the event of mobilization, the Supervisory Office for Wood (Uberwachungsstelle fur Holz) in a Reich Office with enlarged authority (power to investigate, seize and allot). To carry out regional tasks there will be established a Division for Forest and Wood Economy with the Gau Economy Offices in the intermediate branch of the general administration. This division will be composed of the field office of the Reich Forest Master, of the State Forest Office or the State Forest Administration at the seat of a command of a military district (Wehrkreis Kommando) and of the competent marketing association and will be headed by a State Forest Master (Landforstmeister).

Ascertaining of KL Enterprises

On the basis of the factory card-index established by the Reich Office for Statistics the field offices of the Reich Forest Master have ascertained the KL enterprises of the wood economy situated within their respective precincts, especially the raw-mills.

Protection of the KL Enterprises

In view of their requirements of material and fuel, of indispensable labor and of absolutely essential trucks, these KL enterprises are protected in the same manner as the KL enterprises of the industrial and food economy. This is being done in cooperation with the field offices of the Reich Ministry for Economy, the State Labor Offices and the Labor Offices and with the competent agencies of the armed forces (Wehrmacht).

4.) Foreign Trade in Times of War

Plans for Import and Export

On the basis of material which will be gathered by the departments of the Plenipotentiary (GB), the Plenipotentiary (GB), will draw up plans for importation and exportation which will take into consideration the probable war situation. The plans shall show which requirements of importation must be met during the war, what amount of exportation can still be maintained and what will be the probable tons of foreign corrency (Devisen) and of clearing possibilities.

Preparation of the Carrying out of the Plans for Importat and Exportat.

A draft of a decree has been completed, which shall become effective in the event of mobilization. It provides that for the direction and regulation of the foreign trade during the war there shall be appointed a Reich Commissioner for Foreign Trade (ReichsKommissar des Aussenhandels) who shall be placed under the authority of the Plenipotentiary. With the Reich Commissioner there will be established a Working Committee for the Foreign Trade (Arbeitsausschuss fur der Aussenhandel) consisting of representatives of all Ministries which have jurisdiction over foreign trade. It is incumbent upon the competent Ministries in the event of War to carry out their tasks in the field of foreign trade.

For the prupose of regulating importation and managing the foreign currency needed in the traffic with goods, the Reich agencies of the GB-Departments shall be required to cooperate in case of War. In order to direct exportation, particularly in the field of industrial economy. Export Offices (Ausfuhrstellen) will be established with those Groups of the Economy (Wirtschaftsgruppen) which relate to branches of the economy which, even during a war, may engage in exportation. These Export Offices will take over the tasks and powers of the now existing Investigating Offices (Prufungsstellen).

H1228 - 0081



As to foreign trade and the transfer of currency, which are already at present to a large extent subject to regulation by law, regulations are being prepared relative to the carrying out and supplementiary of the existing provisions. Mainly involved are: the issuing of prohibitions of importation and exportation, made necessary by the War, the introduction of custom decreases or exceptions from customs duties with respect to war essential goods, the supplementing of existing currency laws and provisions under which trade treaties and economic agreements with foreign countries become ineffective.

Ascertaining and Protection Of KL-Export-Enterprises

As mentioned already in the section on Industrial War economy, the field offices ascertain all of the enterprises the exports of which, according to the value of 500,000 Reichsmark anually. Those enterprises will be designated as KL enterprises (export) and their production will be protected in accordance with the procedure applicable to KL enterprises.

In order to obtain more detailed material the Economy Groups have been directed to collect with respect to enterprises engaged in export certain data on the export turnover and the direction of he export and to combine the data in a card-index. This card-index will be made known to the competent field offices so that they may supplement their factory card-indes. The field offices shall then use these statements as a basis for the protection of production.

5.) Transportation in the War Economy

Ascertaining of Transportation Requirements

In order to ascertain the transportation requirements of the War economy, classified separately as to means of transportation and kinds of goods, the following has geen done:

1.) With the aid of the Reich Office for Statistics the traffic statistics have been evaluated and the results have been combined in Verfleck-Sungs-cards.

2.) The Groups of the Economy have furnished coherent reports on the individual kinds of goods.

Consideration of Transportation Requirements of Military Economy and Wehrmacht.

The transportation requirements of the military economy will be coordinated with the military transportation requirements of the Wehrmacht centrally by the Plenipotentiary in the War Trasportation Committee (KTA). A similar coordination shall be effected in the precincts of the field offices of the GB-departments together with the military agencies of the Regional Transportation Committees (Bezirkstransportanssehusse (BTA)). Deroutings, which are to be expected during war because of changes in the domestic and foreign traffic, will be taken into account.

Transport Situation in the Rhenish-Westphalian Industrial Regions

The General Staff has stated that the examination fo the transport situation in the Rhenish-Westphalian industrial regions is of prime importance. Hence, a special investigation has been initiated in order to secure, in spite of the military use of the railw ays, the supplying of the p opulation, particularly the supplying with food, of which no s tores can be maintained in view of the present food situation, by transportation of supplies into the Rhenish-Westphalian industrial region in the event of mobilization. Corresponding investigations have been initiated to keep up the neccessary business travel.

Ascertaining and Securing of Trucks of KL Enterprises.

The Plenipotentiary, in cooperation with the Reich War Minister, has prepared directives for the securing of the requirements of the KL enterprises relative to motor trucks. As mentioned above, the trucks of the KL enterprises are ascertained by the field offices of the Reich Ministry for Economy, of the

H1228 - 0082



Reich Food Ministry and of the Feich Forest Office. They request the District Military Commands (WehrKreisKommandos) to release these vehicles. With a few exceptions to the contrary, the Commands of the Military Districts have not granted the requests to a sufficient extent, particularly as far as trucks with a net loading capacity exceeding one ton are concerned. The Plenipotentiary has taken up negotiations withthe Reich War Ministry regarding a change of the distribution of trucks.

6.) Conscription of Manpower in War

Legal Basis

The basis for the wartime conscription of manpower is the hitherto impublished law on the German People's Service of 21 May 1935. It established conscription of the people (Volksdienstpflicht) for all nationals of the 15th until the completion of the 65th year of life, insofar as they are not called to the colors orexpressly exempted from the people's service. It is incumbent upon the Reich Minister of Labor to direct the people's service. For the carrying out of his directions he may use the agencies of the Reich Office for the Procurement of Work and Unemployment Insurance.

[illegible] Labor Conscription

In order to prepare the Wartime conscription of labor, the Reich Minister of Labor and he Reich Office for the Procurement of Work and Unemployment Insurance, pursuant to directives issued by the Plenipotentiary, as certain the available amount of manpower, the wartime requirements of manpower and measures for the covering of the Wartime needs.

Ascertaining the Available Amount of Manpower

Pursuant to the Law on the Introduction of [illegible] (Gesetz uber die Einfuhrung eines Arbeitsbuches) the Labor Offices maintain card-registries relative to 22 millions of workers and employees, i.e. more than 2/3 of the working population. The card-registries, which are kept up to date on the basis of information received from the enterprises, contain exact data as tothe professional training, the occupation of the individual up to the present time and the existing skills. This material is supplemented by a card-registry relative to 16 millions of independent craftsman who in wartimes constitute a valuable reserve of skilled labor. Similar investigations have been initiated as to leaders of enterprises (Betriebsfuhrer) and managers and as th farmers and members of their families who help on he farms. Hence, the entire population, classified according to professions, is surveyed by the Labor Offices, excepting only officials (Beamt) and professional men (freie Berufe).

The card-registries of the Labor Offices are checked against the Military Conscription Lists of he Military Regional Commands (Wehrstammbucher der Wehr-BezirksKommandos) and the holders of Military passports (Wehrpass) [illegible] in the event of War are called to the colors are especially marked. Furthermore, the amount of manpower employed in peacetime in R-enterprises, KL enterprises and [illegible] essential government agencies is especially indicated. Hence, in the district of each Labor Office and for each profession there is apparent the following:

1.) the number of existing workers
2.) the number of holders of military passports,
3.) the number of men already employed (festgelezt) in the war economy or other war-important jobs.

The difference shown constitutes the number of workers employed in enterprises of lesser importance and of other reserves , which eventually can be used elsewhere.

H1228 - 0083

Document No. EC. 258

## Ascertaining of War Requirements of Manpower

Under the supervision of the field offices of the competent GB-departments, the KL-enterprises of the industrial economy, of the food economy and agriculture and of the forest and wood economy compute their probable labor requirements in the event of war. Insofar as the mobilization-production of aKL enterprise is not yet known exactly, its peace time production is taken as a basis for the time being. The manpower requirement in the event of mobilization thus computed is compared with the peacetime amount of manpower used in the enterprise, from which must first be diducted, however, the number of the holders of military passports. The Labor Office is notified of the result of the computation.

## Covering of War Time Requirements

In principle, the manpower employed in peace time in KL enterprises and KL agencies shall remain intact. The need for replacing the holders of military passports and for the increased production in the event of mobilization will be covered by using reserve manpower (manpower theretofore used in monessential enterprises, women etc.). As reserve manpower will be used also the skilled workers who, within the [illegible] economic evacuation, have been brought back from the evacuated zones - a process in which the Labor Offices play a part and who are used in salvage zones with a great need for skilled labor. For workers who are irreplaceable for the enterprise (defense workers-Wehrarbeiter) the KL enterprises file with the Labor Offices applications for exceptions from the military service (Indispensability Applications-UnabkommlichKeitsantrage). The lists of defense workers made by the Reich Labor Ministry serve as directives for the selection of those forces. The Labor Offices examine the applications and transmit them to the Military Replacement Agencies (Wehrersatzdienststellen). The decision is made by the Commander of the Military Region (WehrbezirksKommandeur) and, upon appeal, by the Military Replacement Inspector (WehreratzKommandeur).

The procedure established for the scope of the Office of the Plenipotentiary has been accepted - with insignificant deviations - by the Reich War Minister for the R - enterprises and the civilian personnel requirements of the Armed Forces (Wehrmacht), by the Deputy of the Fuhrer for the mobilization of the personnel of the German National Socialist Workers Party (NSDAP), its formations and affiliated associations, the Reich Minister for Propaganda and Enlightenment for the agencies and enterprises within his jurisdiction, the Reich Traffic Minister for local traffic and inland shipping and the Reich Minister of Finance for the monopoly enterprises. Similar negotiations have been initiated with the Reich Post Department and the Reich Railway (Reichsbahn).

The agencies of the air protection, of reinforced police protection and of roadconstruction have been directed by the competent departments to notify the Labor Offices of their requirements as to replacements of, and increases in personnel - insofar as the requirements relate to persons who hitherto were within the scope of the activities of the Labor Offices.

Negotiations are being conducted with the other agencies needing manpower (Bedarfsstellen), (Department of the Interior, Reinforced Border Supervision Service). Their purpose is to concentrate in the civilian sector all preparations for the wartime use of manpower in one place, namely at the Labor Office, which closely collaborates with the Military Regional Command (Wehrbezisks-Kommando) that has jurisdiction over the military sector.

## Abolition of Right to Choose Domicile in the Event of War.

The planned preparation of the use of manpower in the event of War necessitates measures against the freedoms of workers to choose their domicile. Therefore, a completed draft of a Law on the Use of Labor and the Conditions of Labor in Times of War (Gesetuber den Arbeitseinsatz und die Arbeitsbedirezungen im Kriege) makes every change of the working place and every hiring of workers dependent upon the consent of the Labor Office. The law also provides that, in the event of war, wages and salaries may not be increased: thereby it shall be prevented that higher wages and salaries cause changes of the place of labor. At the same time it is intended to stabilize the price level by freezing (festhalten) wages and salaries.

H1228 -0084

Document No. EC. 258

Relaxation of Provisions on the Working Hours and of the Prohibitions to Employ Certain Persons

In view of the labor shortage which must be expected with certainty in the event of war, a completed draft of a decree relaxes, in the event of war, the existing limitations on working hours and renders ineffective the prohibition to employ women and juven[illegible] this can be justified in comtemplating the nation in its entirely (Volksgauze).

Local Protection

A decree on the Housing of Individuals and Families regulates the transfer (raumlicke Umschichtung) of manpower which is inevitable in war in connection with the planned direction of labor. For the same reason there have been enlarged for the case of war, the provisions relative to the granting of travel expenses, work equipment and family allowances for double households, which shall facilitate the employment of workers coming from other places.

7.) War Finance and Money Economy

War Finance Requirements

The Reich Finance Minister estimates that the financial war requirements for the first year of war will amount to approximately 50 billions of Reichsmark.

Covering of War Finance Requirements

The covering of the War finance requirements must be effected by taxation and loans, as for as the war economy cannot be limited to self-financing (Eigenfinanjierung).

Self-Financing of War Economy

Enterprises which have to perform mobilization-contracts and contracts for delivery of war goods sh[illegible] their financial needs primarily out of their [illegible] resources or by way [illegible] private loans. Whereever this is not possible the leaders of the enterprises will be affordded the possibility to obtain credits for operating and investing purposes by the issuance of Army Bonds (Wehrmachtverpflichtungsschesum)(Securities payable to the bearer which may be lombarded). Through these securities the Reich assumes the sole of a surety.

War Taxes

Insofar as the war economy cannot be requested to rely on self-financing it is attempted to cover the financial war needs primarily by means of war taxes. A completed draft of a law provides for the following war taxes:

Additions of 50 percent to the Income and Wage Tax,
" " 62 " " " Cooperation Tax
" " 8 " " " Increased Wage Income,
" " 3o to 100 percent to other Increaded Income
" " 200 percent to the Property Tax.

The entire revenue to be derived from these war taxes, it is estimated, will amount to approximately 5 billions annually.

War Loans

Since the planned war taxes will cover only a fraction of the financial war requirements it is provided that they will be supplemented by war loans, the issue terms and price of issue of which even in case of war will depend on the economic and political situation existing at the time, Hence it is probable that large demands will be made upon the Reichbank for the discontinuance of Treasury Notes (Schatzwechsch). Preparations have been made to make possible the nlargemnt of the credit volume by amending the Banking Law.

H1228 - 0085

Document No. EC. 258

Restrictions on Traffic with Money

In order to secure the credit economy and to prevent withdrawals caused by fear in one of war regulations have been prepared providing for restrictions on withdrqwals (Auszahlungs Beschrankongen) and for bank holidays.

Financing of War-Important [illegible] Requirements

Since most war expenses are made without the use of cash (bargeldlos), the increase in the quantity of cash is only a fraction of the entire financial War requirements. This increased need for money tokens (Geldzeichan) amounts for the first three war months according to an investigation relating to 1937/1938 to the following:

| | | | |
|---|---|---|---|
| Need of Wehrmacht (reported) | approx | 3 | billions RM |
| " " Civilian Administration (reported) | approx | 0,4 | Billions RM |
| " " Economy (estimated) | approx | 1,5 | " RM |
| So called panic Needs (estimate) | " | 0,7 | " RM |
| Total | approx. | 5,6 | " RM |

To satisfy those needs here is at our disposal, in addition to the usual amount of current legal tender which at present exceeds 7 Billions of Reichsmark the reserve of money tokens in the amount of 13,5 billions of Reichsmark which is in the custody of the main office of the Reichsbank and of the Reichsbank Offices at the places where it is needed (Bedarfsortan)

IV. Final Remarks

Since it establishment in 1935, the agency of the Plenipotentiary for the war Economy, just as the Reich Defense Council as a supra-ministerial office directing the preparations for mobilization has been treated as a secret. Since all of the great powers have created similar forms of organization during the last years, secrecy is at present no longer of the same importance as in 1935. It should be considered whether, on some suitable political occasion, the Fuhrer should announce the existence of those forms of organization, which the foreign governments naturally assume [illegible] after, in addition to the Plenipotentiary, the Reich War Minister and the Reich Foreign Minister have furnished opinions relative to the effects of such an action.

(signed) WOHLTHAT

CERTIFICATE OF TRANSLATION
OF DOCUMENT EC. 258.

21 November

I, OSCAR KOPPEL, Civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document EC 258.

OSCAR KOPPEL.

H1228 - 0086

TRANSLATION OF DOCUMENT NO. EC-283
OFFICE OF U.S. CHIEF OF COUNSEL

TRANSCRIPT

The States - and Prussian
Minister of Economics

Berlin W 8
Behrenstrasse 43
26 August 1937

Very Honored Mr. Minister president!

From your letter of the 22nd of this month I gather the verification of the fact that fundamental differences exist in our economic policies, which I hope will induce the Fuehrer to place the further direction of economic policies solely into your hands. I may leave aside, just as you are doing, mention of any details. To me it does not seem to be of decisive importance to raise questions of competence and initiative, but it is of decisive importance that the Fuehrer's economic policies should be carried out in a coherent manner and with the least amount of friction.

A transcript of this letter is being presented to the Fuehrer and to the State Minister of War.

I remain, very honored Mr. Ministerpresident

with Heil Hitler

Yours sincerely

(signed) Dr. Hjalmar Schacht

To Mr. Ministerpresident

Colonel General Hermann Goering

Berlin W 8

Leipziger Platz 11 a.

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CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. EC-283

28 November 1945

I, **LEO LOEB**, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of the indicated document EC-283

LEO LOEB

Exhibit No 632
Filed Jan. 11, 1946

TRANSLATION OF DOCUMENT EC 297a
OFFICE OF U.S. CHIEF OF COUNSEL

ADDRESS IN VIENNA

ADDRESS
of the
Reichsbank President
Dr. Hjalmar Schacht
to
the employees of the
former
Austrian National Bank

Vienna,
March 21, 1938.

My comrades:

Though I am nursing a heavy cold and my voice usually sounds somewhat more pleasant, I did not want to put off today's celebration, for it is completely clear that JUST AS AUSTRIA FEELS DRAWN TOWARD GERMANY, SO DOES GERMANY FEEL STRONGLY DRAWN TOWARD AUSTRIA. This is what has occupied my mind and for this reason I wanted to be with you as soon as possible, in order to prove to you how we are thinking in our community and to absorb from you your ways of thinking and feeling; for we use both for the work which we will have to perform JOINTLY from now on.

The feeling that we are living in one of the greatest moments ever recorded in German history has entered deeply into all our hearts. The road of the Nibelungen from the Rhine to the Ostmark has become free again. It is our aim that intercourse of mutual work and cordial friendship will take place on it, in order that that road may never be blocked again in the future. We have often heard certain quarters say during the last weeks and months that Austria has a SPECIAL MISSION. My friends, it is obvious that Austria has a mission as Bavaria or the Hanseatic cities have. After all, it cannot be denied that Prussia has had a certain German mission. BUT, FRIENDS, THERE IS NO GERMAN MISSION OUTSIDE OF GERMANY. (Large applause) Austria has certainly a great mission, namely, to be the bearer of German culture, to insure respect and regard for the German name, especially in the directive of the Southeast. Such a mission can only be performed within the Great German Reich and based on the power of a nation of 75 millions which --- regardless of the wish of the opponents, forms the heart and the soul of Europe.

We have read a lot in the foreign press during the last few days, that this aim, the union of both countries, is to a certain degree justified, but that the METHOD OF EFFECTING THIS UNION was terrible. This method, which certainly did not suit one or another foreigner, is nothing but THE CONSEQUENCE OF COUNTLESS PERFIDIES AND BRUTAL ACTS OF VIOLENCE WHICH FOREIGN COUNTRIES HAVE PRACTICED AGAINST US. These immoral methods started with Wilson's 14 points, in which the right of self-determination of all nations was proclaimed. Just as soon as we put our arms down, in order to make a peace based upon those 14 points, all those promises were gone with the wind. In October, 1918, Germany and Austria were about to effect a "Zollunion" (Customs union) and a very close alliance. Then came the Armistice, and thereafter, the provisional Austrian

H1228 - 0087

"Nationalversammlung" (national assembly), based on Wilson's points, declared it wanted the "Anschluss" (union) with Germany. That was on November 12, 1918, and on February 21, 1919, the constitutionally elected "Nationalversammlung" confirmed this resolution. But the Entente disregarded this declaration of the will of a free people, just as if nothing had happened. That, so far as Germany was concerned, the identical will for reunion existed was evident from the fact that the Weimar constitution of 11 August 1919, provided for Austria's participation in the German Reich, its parliament and its government. The dictates of Versailles and St. Germain expressly prohibited a union of Austria and Germany. Of the many disgraceful things which happened at that time, I would like to point out only one, since the whole world today is overflowing with morality. The castle of St. Germain contained rooms for a museum of ethnology, and precisely the room in which the peace dictate for Austria was written was for the extinct races of mankind. When this was pointed out to Clemenceau, he said the following cynical words: "Well, that fits the Austrian perfectly". THIS WAS THE MORALITY which those gentlemen PRACTICED AGAINST US. THEY HAVE NO RIGHT, NOT THE SLIGHTEST RIGHT, EVEN TO WASTE A WORD OVER METHODS THAT DON'T SUIT THEM. But we are glad the Austrian "race" has not died out, but that it has today received in greater Germany opportunities for greater achievement and development than it ever enjoyed before.

In February, 1921, the Austrian national council again made an attempt at Anschluss (union). It again provided for a plebiscite in order to proceed with the Anschluss. The Entente again threatened Austria with withdrawal of credits, hunger, blockade, and various other things, in order to frustrate this plebiscite. To make the Anschluss impossible, they even went so far as to threaten Austria with the loss of German Burgenland to Hungary. Nevertheless, the older ones among you probably recall the spontaneous voting in Tyrol and Salzburg with the results 98 1/2% in the Tyrol and even MORE THAN 99% in SALZBURG IN FAVOR OF UNION WITH THE REICH. I believe that these expressions of will reveal much better the basic ideas of the Austrian people than a large number of editorials and speeches which we have read during the last months.

THE ECONOMIC DIFFICULTIES of Austria had induced again and again the attempt to achieve closer relations with the great German Reich. The only road which finally was left was indebtedness to the foreign countries. When the Allies finally saw that something had to be done with Austria very soon, the first "Völkerbund Anleihe" (loan of the league of nations) was given to Austria. The so-called Geneva loan protocol of October 4, 1922 contained as principal condition for this loan the obligation on the PART OF AUSTRIA, THAT IT WOULD NEVER GIVE UP ITS POLITICAL AND ECONOMICAL INDEPENDENCE! With such METHODS OF EXTORTION, it was tried to influence the feeling of the people by economical means. The next years are filled with plans, originating partly in Prague, partly in Paris, for a so-called "Danubian Confederation" since it was known that the small country of Austria by itself was not capable of surviving and since it was felt that something had to be done concerning its means of survival. It was the then "Bundeskanzler" (chancellor of the Federal Government), Dr. Seipel, who expressed in the Austrian National Rat on June 27, 1928, the feeling of the Austrian people when he said: "Whatever the economical

H1228 - 0088

schemes planned for Austria, we shall never manage without Germany". All this did not prevent the Allies from persisting in their delusion. When the German Government in the face of increasingly difficult conditions tried to bring about a customs-union in March, 1931, the Allies again intervened by exerting all sorts of political and economic pressure. As a result, both of us, i.e. Austria first and Germany later, were drawn into the most terrible credit crisis which had ever swept over Europe.

In 1932, Austria was once more temporarily helped out of the crisis by a renewed bondage to foreign countries and no compunction was felt in reiterating the clause of the old Geneva Protocol of 1922, according to which Austria may not surrender its economic independence.

I think it is quite useful if we recall these things to our mind in order to expose all the sanctimonious hypocrisy exuding from the foreign press. Thank God, these things could after all not hinder the great German people on their way, for Adolf Hitler has created a communion of German will and German thought, he bolstered it up with the newly strengthened Wehrmacht and he then finally gave the external form to the inner union between Germany and Austria.

I am known for sometimes expressing thoughts which give offense and there I would not like to depart from this custom (hilarity). I know that there are even here in this country a few people --- I believe they are not too numerous --- who find fault with the events of the last few days. But nobody --- I believe --- doubts the goal and it should be said to all grumblers that you can't satisfy everybody. One person says he would have doneit maybe in one way, but the remarkable thing is that they did not do it (hilarity), that IT WAS ONLY DONE BY OUR ADOLF HITLER (Long continued applause) and if there is still something left to be improved, then those grumblers should try to bring about these improvements from the German Reich and within the German community, but not to disturb it from without. (Lively agreement).

THE UNION OF OUR TWO BANKS is but a small link in this great event, a link which has to maintain the chain, but which gives a special new task to each of us. May I also point out here, that Austria did not come to us with empty hands; rather I should like to recall to you who are working in the Austrian National Bank, the PROUND TRADITION of this institution. The German Reichsbank is slightly older than the Austrian National Bank, for it was founded already by Frederick the Great in 1765 and it transferred as the Prussian Bank to the . . . Reichsbank in 1875. The Austrian National Bank was founded as privileged National Bank in 1817, formed then from 1878 on together with Hungary, the Austrian Hungarian Bank and after the war, from 1923 on has been carried on under the name, Austrian National Bank. The economic and currency problems in the old Austro-Hungarian monarchy were, to some extent, much more difficult than in most other countries. The older ones among us, who know the history of the note banks, can only speak with the greatest respect of the achievements of the Austrian National Bank or of the Austro-Hungarian Bank. It has mastered all problems with immense objectivity, with the best scientific foundation, and yet with a strong sense for the necessity. It was a model institution, and if the employees and workers of this institution are still full of that same spirit which I have

H1228 - 0089

H1228 - 0090



known from previous occasions --- and I am convinced that this is so --- that I can only say: "We, in the GERMAN REICHSBANK ARE GLAD TO HAVE YOU AS CO-WORKERS". (Long, lasting applause).

My dear friends, whenever I have occasion to speak at home before the Reichsbank and its employees, I always try to remind my co-workers of this: the Reichsbank has never succumbed to any inner-political influences. The Reichsbank has always been true to the exhortation of Frederick the Great to be THE SERVANT OF THE STATE, to pursue a national policy and never to do anything not useful to the benefit of the German people. This goal united everybody in the Reichsbank from the executive down to the last clerk and therefore we are proud of being members of the Reichsbank. The Reichsbank considers itself as that office upon whose cleanliness, conscientiousness and sense of duty the state can most securely depend. (Stormy applause)

The wish to which I want to give expression here, in the full conviction that it will be fulfilled is:

Transfer the faith, the sense of duty, with which you have served this office, to the greater institution, grew together with us in an inseparable esprit de corps of decency, diligence and performance of duty. Then we are not only going to be good comrades to each other, but we all are going to have the feeling that everybody is accomplishing on his part, a great task, even if it seems to be very small.

I would like to say a few details about our future co-operation. First, in regard to the business side, we already started to make direct payments by "sino" between Berlin and Vienna. On Saturday "sino" remittance from Berlin to Vienna and today it is also working the other way. We shall soon extend this arrangement to all branches and the whole Austrian territory will be incorporated in the "sino" system of the Reich. When we arrived here a few days ago, we had, of course, to take a number of security measures, which should mainly prevent the removing from Austria of anything that we can use quite well, here. (Hilarity). In the course of carrying out these precautions, we froze payments above a certain amount. Since, however, I am certain that border intercourse around greater Germany will, within a very short time, be efficiently supervised, I believe that we can abolish this freeze in a few days.

Without laying any blame upon the National Bank, a large part of its business consists in winding up engagements from the depression year of 1931 now that the Reichsbank is opening its doors here, I should like to make an attempt to build up new business in new fields. We want to become a good and successful helper of the Austrian economy and we shall soon find sufficient opportunity for this. Austrian business will unquestionably pick up in the course of the development being stimulated here by the National Socialist economic policy. This will also open up new business opportunities for the Reichsbank and the latter will be able to render good services to both the discount and the loan (Lombard) business. At the moment, the money market in Vienna is still comparatively fluid. I believe that, when business is once stimulated in Austria, this money will, in the course of time, be put to good use. But we want to try right away to give Vienna the benefit of the Berlin money market and provide opportunities for short-term investments.

H1228 - 0091



In particular, the promissory notes (Selawechsel) of the Gold Discount Bank pay better interest than anything available at the moment here in Vienna and we, therefore, want to make them available for money investments here also. Furthermore, it is quite obvious that the Austrian Banks will also participate in the next Reich loan.

You will see from that that we have the desire of strongly promoting the economic activities of Austria. We know very well that the incorporation of Austria into the control machine which we were forced to impose upon our economy, will cause some difficulties. But we shall try to keep the difficulties as small as possible and to give a major independent activity to Austrian economy in industry as well as in banking. I especially hope that the old Austrian EXPORT BUSINESS will be maintained at the same high level as in the past. Finally we are going to give to the stock exchange here a broader security market by introducing a number of first-class German stocks.

A few more remarks about the organic fusion of the two institutions. From the greetings conveyed to me by wire from Vienna and from the branches, I have already realized how great are joy and readiness for cooperation existing everywhere and I would like to express my thanks for these greetings here and now. It is unvavoidable that we should first send a group of German experts to reduce the organization to the same denominator. Their number will, however, be very small, first because there are very great similarities in the organization of the two institutions, and second, because we are confident that the officials and employees of the Austrian National Bank will work just as well and as faithfully as those of the Reichsbank. I have confidence in all of you, that you are going to perform your duties within the frame work of the Reichsbank just as well as the old members of the Reichsbank, and I know you are not going to disappoint me. (Strong, lasting applause). This is also the reason for our willingness to incorporate at once the entire staff of the Austrian National Bank into the Reichsbank. May I make a human remark: confidence is enjoyed only by him who bestows confidence.

And now I should like to express the gratitude of the Reichsbank board of directors and my personal thanks for everything that has been done up till now. I want to thank the management of the Austrian National Bank for the laborious work performed through all these years. These have been difficult times, which have made almost superhuman demands on the willingness to sacrifice, the health, the strength and the endurance of the individual. My thanks go also to the assessors (Zensoren), whose cooperation, I trust, we shall continue to enjoy in the future, for it has always been a main point of our program to keep in close touch with all circles of industry, as well as with the farmers.

And now I am at the end of today's remarks. I wanted to come to you as quickly as possible to show you that nothing stands between you and us and that we are one single family in the Reichsbank (stormy, lasting applause). If you form such a family unit, it is above all necessary to get mutually acquainted and therefore I should like to present to you two of my companions, who have come here with me today: Reichsbankdirektor Blessing, who in the future, will be in charge of Austrian affairs in Berlin, and, further, our loyal personnel administrator, Stellenleiter Oberkampf. For I have said to myself that it is not only a matter of getting acquainted with "Big shots" (lively hilarity), but also of having the staff get into touch with one another. I also thank your Fachschaftsleiter, Mr. Wolf, very particularly for his words of welcome, which have shown me that we shall certainly grow into one family. And I thank you, Mr. Wolf, very especially for saying that the denunciation nuisance must stop. (stormy applause). In all movements and in all human works there are loud-mouthed and silent fighters. The loud-mouthed fighters are seen and heard, but the silent fighters are often overlooked. I consider it completely impossible that even a single person will find his future with us who is not wholeheartedly for Adolf Hitler. (strong, continued applause; shouts of "Siegheil") Whoever does not dos so had better withdraw from our circle of his own accord. (Stormy applause).

H1228 - 0092



I think I can say that I am quite well liked among my officials and employees in the Reichsbank, for in every stage of life I have stood up for the people entrusted to my management. (stormy applause). Today I should like to say quite frankly to you: If you have to make any complaint against co-workers, I am the competent authority, and no one else. I shall see to the removal of anyone who does not fit into our framework, but I will also not allow anyone to be insulted or denounced with impunity. The Reichsbank will always be nothing but National Socialist, or I shall cease to be its manager. (heavy, protracted applause).

Now I shall ask you to rise. (The audience rises). Today we pledge allegiance to the great Reichsbank family, to the great German community; we pledge allegiance to our newly arisen, powerful Greater German Reich and we sum up all these sentiments in the allegiance to the man who has brought about all this transformation. I ask you to raise your hands and to repeat after me:

I swear that: I will be faithful, and obedient to the Fuehrer of the German Reich and the German people, Adolf Hitler, and will perform my duties conscientiously and selflessly. (The audience takes the pledge with uplifted hands).

You have taken this pledge. A scoundrel he who breaks it. To our Fuehrer a triple "Siegheil".

I certify that the above translation is correct and done to the best of my ability.

Mr. Paul Richfield

Certification of Translation Date, 13 November 1945 of Document #297.

I Paul Richfield hereby certify that I am thoroughly conversant with the English and German languages and that the above is a true and correct translation of Document # 297.

Paul Richfield.

Copy.

Translation of Document EC. 369
Office of U.S. Chief of Counsel

Translation
recorded
DAY MONTH YEAR TIME
executed 10/1 2020
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RK 717 - B 11 Jan. 1939

Berlin
Main Telegraph Office
11/1

Exhibit USA 631
Filed Jan. 11, 1946

H1228 - 0093

Telegraph Service of the German Reich

Telegram from Berlin FD 112/109 10 2002

TO

the Fuehrer and Reichs Chancellor

Berlin

The Subscription to the fourth Reich loan of 1938 which ended yesterday did not bring the expected results despite special propaganda. Of the amount of .....RM. 1500 Millions, taken over by the Reich Loan Committee, a partial amount of RM 415 Millions could not be placed through public subscriptions. Of this shortage approximately.....RM. 275 Millions will be subscribed to through The credit facilities of the Savings Banks and Associations. The banks represented in the Loan Committee hope to be able to sell gradually the balance of RM. 140 Millions. The already unsatisfactory result is to further impaired by the fact that approximately..... .....RM. 160 Millions of previous loans had to be serviced during the subscription period.

Signed
Dr. Schacht.

x - Notes written in longhand on document.

Verg. RK 707 B LB
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Miss Bugo (Initialed
1) (one word illegible
1 Photostat
remains with the Files
2) Presented to the Fuehrer to-day
3) Illegible Initials

Respectfully submitted
to the Reich Minister
(Initialed

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The President
of the
Reichsbank Directory

Berlin SW111, 7 Jan.1939

Confidential Reichsbank matter.

To

The Fuehrer and Reich Chancellor

Berlin

The Reichsbank, for a long time, has pointed out the dangers to the currency resulting from overstraining of public expenditures and of short terms credits. At the end of 1938 the currency and financial position has reached a danger point, which compels us to ask for measures which make it possible to master the threatening danger of inflation.

From the beginning the Reichsbank has been aware of the fact that a successful foreign policy can be attained only by the reconstruction of the german armed forces. It (the Reichsbank) therefore assumed to a very great extent the responsibility to finance the rearmament in spite of the inherent dangers to the currency. The justification thereof was the necessity which pushed all other considerations into the background- tocarry through the armament at once, out of nothing and furthermore under camouflage, which made a respect-commanding foreign policy possible.

In carrying out this program it was decisive to prevent signs of inflation, because an inflation would not only have undermined the confidence in the National Socialistic leadership, but also because nothing can be gained materially through an inflation. At best, an inflation can deceive for a very short time the unexperienced broad masses as to the declining purchasing power of money, but leads then very quickly to an all the more greater disappointment. Economically it leads to the destruction of liquid capital funds, it disorganizes the tax revenues and with them the total finances of the state, it undermines the desire to save and therefore renders impossible the placement of government loans, it raises the cost of imported necessary goods and will stop the clearing machinery and its great advantages, so that finally foreign trade comes to a stop.

In order to prevent signs of inflation, the Reichsbank, from the beginning, has insisted on two fundamental requirements:
1) a control over the money- and investment market
2) a control of prices and wages.

In connection with the latter, the first signer of this letter as minister of economy, has urged the re-ins tatement of a price controller

(after the discontinuance of the price control offices headed by Dr. Goerdeler), who was then newly appointed in the person of Gauleiter Josef Wagner.

The other requirement has been taken care of by a decision of the cabinet in May 1933, which provided for a control committee presided over by the president of the Reichsbank.

The control over the money- and investment market was intended to serve 2 purposes: first, the consolidation of short-term Reich obligations in the investment market and second, the placement of short-term Reich notes (Mefo-acceptances etc.) in the money-market. The use of the money-market made it possible to place approximately RM 6 Milliarden Mefo-Acceptances outside the Reichsbank, in addition to the Mefo-acceptances of approximately RM 6 Milliarden which the Reichsbank carried in its portfolio, whus without burdening the money circulation. This was possible as the Teichsbank declared itself ready to dash at any time Mefo-acceptances, so that the available cash funds of the german economy could find in these acceptances a continuously renewing investment, however temporary.

These two controls over the money-and investment market on the one hand and over wages and prices on the other hand operated (functioned) fairly satisfactorily, so long as the german economy had not arrived at the point of full employment. The production costs remained low due to greater utilization of the productive capacity and industry could cover its working capital requirements from rising operating profits without availing itself of the investment market to any large extent. The effectiveness of the controls however had to decline the closer the german economy neared the point of full-and overemployment. The expansion of industrial plants, the employment of unskilled labor and lower productivity due to longer working hours, increased the costs of production, exhausted operating profits and forced industry more and more to replenish its financial requirements in the open investment market, which until then could be held available mainly for the financial requirements of the Reich. The investment market therefore was bound to fail for the increased requirements.

The overemployment of the economy was accompanied by scarcity of materials and labor and by a lowering of the quality. At the same time the relative production of consumer goods for daily needs lagged, so that the problem arose of increased total wages against a smaller quantity of consumer goods. Fast growing wage- and price increases were the causes of this development. Of course the past increases of prices and wages differentiate. There are a number of goods for which prices have been maintained or probably even were lowered a little, and there are labor



H1228 - 0094

H1228 -0095



groups which were not affected by the wave of wage increases, for instance. certain groups of the textile industry. However among other labor- and merchandise-groups, wage- and price increases took place which especially lately assumed very extraordinary proportions. These increases become especially evident during the last 10 months of 1938. Beginning in March and through the period of the austrian and Sudetenland invasion and the actions connected therewith, the wage-and price structure totally fell apart. Also, it is regrettable that a slackening or even a return to the former basis is not noticeable after the termination of our foreign political actions.

In regard to investments in stock on hand to which must be added the stock for armaments, the price increases are due to the excess of orders and the press ure for quick production. These demands have caused the failure of all planning by the authorities placing the orders, as well as the firms executing them. The parties placing the orders force the manufacturers to corner material and labor which has caused an excessive price-and wage racket because of the shortage of material and labor. In the field of consumer goods increases in prices were due to lack of sufficient quantity and quality. Especially in the field of daily requirements for the home and clothing, the lack of supply and above all the decline of quality is most evident. Children clothes, workers clothes etc., which formerly lasted for years last now only months, but cost the same or even more than the former good merchandise. On top of it, the well paid laborer overbids the less fortunate worker, which creates much ill feeling especially as far as food is concerned.

The currency however is endangered to a decisive degree by the unstricted public expenditures. The unlimited growth of the government expenditures nullifies each attempt for an orderly budget, it brings the government finances to the verge of bankruptcy despite a tremendous increase in taxes and it undermines the Noten-bank and the currency. There is no"recipe" or system of financial or money technic, regardless how ingenous or well thought out it may be, there are no organization or or control measures, which would be effective enough, toprevent the disastrous effects on thecurrency caused by a policy of unlimited expenditures. No note issuing bank is capable of maintaining the currency standard against an inflationary policy of expenditures by the government.

Due to Treasury deficits running into billions (Milliarden), the Minister of Finance, during the last months, was continuously placed in the position to declare insolvency or to cover the deficit in the Reich finances through inflationary means of using the printing press. (to issue money). Unfortunately, the Reichsbank can prevent this in the following field: The above-mentioned placement of approximately RM 6 Milliarden MEFO acceptance-Bills in the money market was possible only with the promise of the Reichsbank to honor them (The MEFO acceptance-Bills) at any time (against cash). Should it be necessary for the Minister of Finance because of excessive expenditures, to draw funds from the institutions with which MEFO acceptance-Bills have been placed, then these acceptances will be presented tothe Notenbank and will cause an inflationary increase of money in circulation. The ingenious and risky structure, which the Reichsbank organized to finance the armament, is consequently being shaken in its very foundation.

Furthermore to prevent the danger of inflation, provisions had been made, tc redeem the MEFO acceptance-Bills 5 years from date of issuance. We are however faced with the fact that approximately RM 3 Milliarden of such acceptances can not now be paid, though they will be due in 1939. Thus one of the most important correctives to prevent inflation, becomes ineffective, and it does away with one of the basic conditions, under which the early financing of the government expenditures through the Notenbank seemed bearable, no longer exists.

The overall german exchange position at the present is therefore as follows:

1) Foreign: gold-or foreign exchange reserves of the Reichsbank are no more in existence. The unfavorable balance of imports over over exports is increasing fast. Exports no longer equal the value of our necessary imports. The reserves, created through the annexation of Austria and the requisition of foreign securities and domestic goldcoins, are exhausted. The receipts for foreign exchange, which were issued by the central office (Devisenstellen) the time of importation, are today, to a a greater part, not covered by actual income of foreign exchange and therefore run the risk, that someday they can not be paid due to lack of foreign exchange. Therefore the last foreign credit to cover out imports of goods would then be ruined.

2) Domestic: the assets of the Reichsbank consist almost in total of government securities (mainly MEFO acceptance-Bills). The Notenbank (note issuing bank) is therefore totally blocked and will not be in the position to grant the necessary credits when so required by commerce and industry. Exclusive of the Reichsbank, there are approximately RM 6 Milliarden MEFO acceptance-Bills which can be discounted against cash payment at any time at the Reichsbank, which fact represents a continous danger to the currency.

On January 1, 1933, the currency in circulation amounted to 3560 Million Reichsmark. Up to March 1, 1938 it increased to 5278 Million Reichsmark. This increase of approximately 1,7 Milliarden Reichsmark in more than 5 years did not cause any mistrust in the currency policy, because during the same period the production of german industry almost doubled and there was not only an increase in the production of capital goods but also in the production of consumer goods.

From March 1, to December 31, 1938, however, the currency circulation rose to 8,223 Reichsmark, that is without including 2 Milliarden Reichsmark required for Austria and the Sudentenland. It therefore increased during the last 10 months more than during the preceding 5 years. The relationship of currency in circulation to the production of consumer goods alone is of al importance to the stability of the currency value. Provided the currency circulation increases faster than the consumer goods production then an increased purchasing power is available to the total number of consumers against a lesser amount of goods offered, which must cause prices to rise. Covering the expended money with real estate, securities etc., can not retain the currency value as is clearly evidenced by the history of the assignate money of the French Revolution where in spite of forced rates , severe penalties etc., a complete depreciation of currency occurred.

While an increase of public expenditures during the two great actions in Austria (Ostmark) and Sudetenland was a matter of necessity, the fact, that after the termaination of these actions a reduction of the expenditures is not noticeable, makes it now our imperious duty to pay attention to the effects on the currency, because all indications are that a further extension of the expenditures is planned.

It is not our duty to prove to what extent an unrestrained policy of expenditures is compatible with the income and savings of the german economy or with the social requirements of the population. However it is our responsibility, to draw attention to the fact that a further use of the Reichsbank, be it direct or through requisitioning of the money market otherwise, is not compatible with a sound currency policy, but must lead direct to the road of inflation. The undersigned directors of the Reichsbank agree, that, while they have gladly cooperated to attain the great goal, it is now time to put a stop to it. An increase in the



H1228 - 0096

production of goods is not possible by the increase of papermoney. (scraps of paper). By increasing the circulation of money and in view of the already fully taxed and even over taxed german industry, one can only increase prices and wages but not production.

We are convinced that the effects on the currency caused by the policy of the last 10 months can be mended and that the danger of inflation again can be eliminated by strict maintenance of balance budget. The Fuhrer and Reich Chancellor, himself, has publicly rejected, again and again, an inflation as foolish and fruitless. (useless). We therefore ask for the following measures:

1) The Reich as well as all the other public offices must not incur expenditures or assume guaranties and obligations that can not be covered by taxes or by those funds which can be raised through loans without disturbing the longterm investment market.

2) In order to carry out these measures effectively, full financial control over all public expenditures must be restored to the Reich Minister of Finance.

3) The price- and wage control must be rendered effective. The existing mismanagement must be eliminated.

4) The use of the money- and investment market must be at the sole discretion of the Reichsbank.

(signed) Reichsbank - Directory

Dr. Hjalmar Schacht Dreyse

Pocke Ehnhard Puhl

(illegible)(illegible) Blessing

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Reich Chancellery
Rk 11 B g now RK 717 b, 707 B

Berlin, January 14, 1939

Secret

1. to

a) Mr. Reich Minister of Economy Funk - personally! -

b) Mr. Secretary of State Reinhardt

c/o Mr. Government Counsel Guendel - personally! -

re a) Dear Mr. Reich Minister !

re b) Dear Mr. Secretary of State.

Brk

see RK 1628

Kpl./Brk

14.1. enclosed in each one copy (initials)

With reference to the long distance telephone conversation, which Mr. Reich Minister Dr. Lammers had with you, I am pleased to enclose, by

H1228 - 0098



order of the Reich Minister, the photostat of a petition addressed to To the Fuhrer by the directors of the Reichsbank, which please keep confidential.

Heil Hitler

Respectfully yours

signed Kritzinger

Ministerialdirektor

2. after making copies

Obediently submitted to
the Reichminister for
his information

3)Z.d.Vorg (N.d.H.Min.Dir.Kritzinger)

8 initials

- - - - - - - - - - - - -

Reich Minister

s RK 1628 B II

Berlin, January 19, 1939

1)

RK 27 B g Rs
now RK 1628 B

secret matter of state

To

the Fuhrer and Reich Chancellor

Reppectfully submitted together with the two certificates of dismissal for the Reichsbank President,

Reichminister Dr. Schacht.

I was unable today to reach Dr. Schacht via long distance, but I informed him by telegram and his housekeeper by messenger, that you, my Fuhrer, are expecting him tomorrow morning at 9 o'clock.

½ Bg

19.1. Bg.

one copy submitted to

Min. Dir. Dr. Meerwald

2) 2 telegrams of the Reich service: Reichbank President

Dr. Schact

a) Berlin SW 111 Reichsbank

b) Berlin-Dahlem Vogelsang 9

H1228 – 0099



Fuhrer expects you tomorrow Friday morning nine o'clock

Reichminister and Chief of the Reichchancellery

Dr. Lammers

3) Z.d.A. (N.d.H.RMin.)

- - - - - - - - - - - - - -

Copy of Telegram

(German Reich Post)

To

During the night Reichsbank President Dr. Schacht

Reichsbank Berlin C 111

free of charge

Reich Chancellery

Fuhrer expects you tomorrow Friday

morning 9 o'clock

Reichminister and Chief of the

Reich Chancellery

Dr. Lammers

19.1.39

at 23.35 o'clock

transmitted by telephone

to the Main Telegraph office

initialed 19/1

belongs to file RK 27 Bg. Rs

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Cop y.

Reich Minister Berlin, January 20, 1939

RK 1628 B

1) The Fuhrer has today signed the enclosed decree.

It will not be published

2) To

the Reichsbank Directory

Berlin SW 111

enclose -1- photostat

I am pleased to enclose, in photostat, a decree by the Fuhrer dated

H1228-0100



January 19, 1939 of which please take notice.

At the same time I have the honor to inform you that the Fuhrer has recalled from office the President of the Reichsbank Dr. Hjalmar Schacht in accordance with paragraph 6 section 7 of the banking act and has appointed to the presidency of the Reichsbank, Walther Funk, who retains his office as Reich Economic Minister.

The Fuhrer, has further recalled from their offices, the members of the Reichsbank Directory, Vice-President Dreyse and Reichsbank Director Huelse.

(handwritten notes)

not quite illegible

handwritten note:
"a copy of the letter covering 1) and 2) has today at 11 o'clock been handed by me to Mr. Vice President Dreyse (initialed)

- - - - - - - - - - - - -

Copy.

RK 1628 B

3) To
Mr. Vice President of the Reichsbank Directory Dreyse

Berlin SW 111

Dear Mr. President:

The Fuhrer has recalled you from your offices as member of the Reichsbank Directory in accordance with paragraph 6 section 7 of the banking act.

Please allow me to enclose the certificate of your dismissal

Heil Hitler

enclose 1 copy. Respectfully yours

4) To the member of the Reichsbank Directory
Mr. Reichsbank Director Huelse

Berlin SW 111

Dear Mr. Reichsbank Director (same as 3)
enclose 1 copy

5) a) Mr. Min. Dir. Kritzinger (initialed)
b) Mr. Reichscabinet Counsel Dr. W...(initialed)
please take notice

6) Z.d.A. (N.d.H.RMin.)

- - - - - - - - - - - - - -

now RK 707B

Jan. 10, 1939 (stamped)

1 enclosure (double)

Secret!

REICHSBANK-DIRECTORY

Berlin, SW 111, Jan. 7, 1939

Respectfully submitted to
Reich Minister

initials (illegible)

We are pleased to enclose a petition to the Fuehrer and Reich Chancellor signed by the members of our board which you will please s ubmit to the Fuehrer at your earliest convenience. We enclose a special copy for your own information.

R e i c h s b a n k  D i r e c t o r y

(signed) Dr. Hjalmar Schacht Dreyse

Miss Buge (some workd illegible)

Pencil notes:

1) Presented today to the Fuehrer

2) Decision of the Fuehrer appears in the enclosed decree of the Fuehrer of today and the dismissal and appointment documents dated Jan. 20, 1939.

3) Illegible initials

To

the Reich Minister Dr. Lammers

Chief of Reich Chancellory

B E R C H T E S G A D E N

Bank 12 (Illegible pencil notes)

- - - - - - - - - - - - - -

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. EC. 369

23 November 1945

I, HANS OHRNBERGER, Civilian, hereby certify that I am thoroughly conversnnt with the English and German languages; and that the above is a true and correct translation of Document No. EC. 369.

HANS.R. OHRNBERGER
Civilian



H1228-0101

H1228-0102

Exhibit USA 638
Filed Jan. 11, 1946

TRANSLATION OF DOCUMENT NO. EC-376
OFFICE OF U.S. CHIEF OF COUNSEL

Copy

The Reichs and Prussian
Minister Of Economics

Berlin, 11 December 1936
W 8, 43 Behrenstr.

T4 12
G.O. GW 14.12.36.

To All Supervisory Offices,
(Excerpt I - VI)

To remove all doubts I once more notify you about the co-operation with the office for German raw and processed materials, with the Reichs Commissioner for price control and with the business groups for distribution of raw materials of the president of cabinet council (Ministerpresident) Supreme Commander (Generalobest) Goring who is the deputy-in-charge of the Four Year Plan, as follows:

The supervisory offices are obliged to accept instructions from me only. They must answer all official inquiriries of the office for German raw materials in order to give any information at any time to the fullest extent. If requests are directed by the office for German raw and processed material, the Reichs commissioner for price control or the business groups for distribution of raw materials to the supervisory agencies with which these offices agree in accordance with instructions and directives given by me, I herewith authorise the supervisory offices to take the necessary measures for themselves. In case doubts should result from requests of the above offices and these doubts cannot be removed by oral negotiations with the specialized workers of that office, I should immediately be informed. I then will order in each case the necessary steps to be taken.

Charged with the business management
(signed) Dr. Hjalmar Schacht
President of the Reichsbank.

---

CERTIFICATE OF TANSLATION
OF DOCUMENT NO. EC-376

29 November 1945

HILDEGARD GOLDMAN

I, [illegible], hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of the indicated document EC-376

[illegible]

HILDEGARD GOLDMAN

Translation of Ec. 383

Exhibit USA 640
Filed Jan. 11, 1946

MILITAR-WOCHENBLATT ("Military Weekly Gazette")
founded 1816
Editorial Administration
Berlin SW 68, Kochstrasse 68-71
Telephone: A 1 Jager 7591

(IN PENCIL:) I. Schacht
Berlin, 16 January, 1937

Most esteemed Colonel:

In accordance with your wish, we are sending the article about Dr. Schacht back to you with our best thanks. It will appear on 22 January in "Militar-Wochenblatt" No. 28.

With German greetings,
Devotedly,

Enclosure:

Tillmanns
Major Gen., ret.

---

Dr. Hjalmar Schacht

On 22 January, Dr. Hjalmar Schacht, the President of the German Reichsbank, entrusted by the Fuhrer and Reich Chancelor with the direction of the Reich Economics Ministry, will celebrate his 60th birthday.

When the history of our age comes to be written, his person will play a special role in it. President of the Reichsbank at a time when the German currency, which had collapsed in the inflation, had to be built up again, guardian of this currency in the system period as long as he was able in any manner to reconcile it with his conscience, adviser to the Fuhrer in the period of struggle, again Reichsbank president and director of German economic policy and, as such, finally, the man who made the reconstruction of the Wehrmacht economically possible -- truly a career that, running through all depths and heights, elevates this man to one of the most significant phenomena of our day.

The German Defense Force commemorates Dr. Schacht today as one of the men who have done imperishable things for it and its development in accordance with directions from the Fuhrer and Reich Chancelor. The Defense Force owes it to Schacht's skill and great ability that, in defiance of all currency difficulties, it, according to plan has been able to grow up to its present strength from an army of 100,000 men. Together with the pro-Defense Force Reich Finance Minister, President Schacht insures the provisioning of the Defense Force and is a helpful and energetic adviser to the leading military agencies in all defense industry questions. The will of the Fuhrer to bring the Defense Force up to ever greater strength is also a first commandment for Schacht; his economic policy is sound defense policy.

H1228-0103

The Defense Force (Wehrmacht) wishes for this great political economist and warm friend of the Defense Force that many years of activity for the good of Fuhrer and piople, Reich and Defense Force may still lie before him. He should know on this day that the Defense Force thinks of with gratitude and cordiality.

(Unsigned)

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO.EC 383.

23 November 1945

I, LAWRENCE ECKER, Civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of the indicated excerpt from Document EC.383.

Lawrence Ecker

H1228-0104

H1228-0105

TRANSLATION OF DOCUMENT NO. EC-384
OFFICE OF U.S. CHIEF OF COUNSEL

Secret Reich Matter

Copy of GB 151537 g. Rs.

20 copies
11th copy

A re-examination, made by the two undersigned at the instance of the Fuhrer and Reich Chancelor, of the basic questions raised earlier, which are hereby settled, has shown that the tasks of the Deputy (Beauftraster) for the Four Year Plan and the tasks of the Commissioner General (Generalbevollmaechtigter) for War Economy are being solved in closest mutual cooperation. Moreover, no doubt exists about the fact that the Commissioner General for War Economy has the position of a supreme authority of the Reich.

Signed: Hermann Goering. Signed: Dr. Hjalmar Schacht.

Berlin, 7 July 1937.

---

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. EC-384

29 November 1945

I, LEO LOEB, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of the indicated document EC-384

LEO LOEB

TRANSLATION OF DOCUMENT 386-PS
OFFICE OF U S CHIEF OF COUNSEL

NOTES on the Conference in the Reichskanzlei
on 5 Nov 37 from 1615-2030 hours

Present: The Fuehrer and Reich Chancellor
The Reichsminister for War, Generalfeldmarschall v. BLOMBERG
The C-in-C Army, Generaloberst Freiherr von FRITSCH
The C-in-C Navy, Generaladmiral Dr. H.C. RAEDER
The C-in-C Luftwaffe, Generaloberst GOERING
The Reichsminister for Foreign Affairs Freiherr v. NEURATH
Oberst HOSZBACH

The Fuehrer stated initially that the subject matter of today's conference was of such high importance, that its further detailed discussion would probably take place in Cabinet sessions. However, he, the Fuehrer, had decided NOT to discuss this matter in the larger circle of the Reich Cabinet, because of its importance. His subsequent statements were the result of detailed deliverations and of the experiences of his 4½ years in Government; he desired to explain to those present his fundamental ideas on the possibilities and sighted policy he requested that his statements be looked upon in the case of his death as his last will and testament.

The Fuehrer then stated:

The aim of German policy is the security and the preservation of the nation and its preparation. This is consequently a problem of space.

The German nation disposes of 85 million people, which, because of the number of individuals and the compactness of habitation, form of homogeneous European racial body, which cannot be found in any other country. On the other hand it justifies the demand for larger living space more than for any other nation. If no political body exists in space, corresponding to the German racial body, then that is the consequence of several centuries of historical development, and should this political condition continue to exist, it will represent the greatest danger to the preservation of the German nation (Volkstum) as its present high level. An arrest of the deterioration of the German element in AUSTRIA and in CZECHOSLOVAKIA is just as little possible as the preservation of the present state in GERMANY itself. Instead of growth, sterility will be introduced, and as a consequence, tensions of a social nature will appear after a number of years, because political and philosophical ideas are of a permanent nature only as long as they are able to produce the basis for the realization of the actual claim of existence of a nation. The German future is therefore dependent exclusively on the solution of the need for living space. Such a solution can be sought naturally only for a limited period, about 1-3 generations.

Before touching upon the question of solving the need for living space, it must be decided whether a solution of the German position with a good future can be attained, either by way of an autarchy or by way of an increased share in universal commerce and industry.

Autarchy: Execution will be possible only with strict National-Socialist State policy, which is the basis; assuming this can be achieved the results are as follows:

A. In the sphere of raw materials, only limited, but NOT total autarchy can be attained:



H1228-0106

TRANSLA

1. Wherever coal can be used for the extraction of raw materials autarchy is feasible.

2. In the case of ores the position is much more diffiault. Requirements in iron and light metals can be covered by ourselves. Copper and tin, however, can NOT.

3. Cellular materials can be covered by ourselves as long as sufficient wood supplies exist. A permanent solution is not possible.

4. Edible fats - possible.

B. In the case of foods, the question of an autarchy must be answered with a definite "NO".

The general increase of living standards, compared with 30 - 40 years ago, brought about a simultaneous increase of the demand an increase of personal consumption even among the producers, the farmers, themselves. The proceeds from the production increase in agriculture have been used for covering the increase in demands, therefore they represent no absolute increase in production. A further increase in production by making greater demands on the soil is not possible because it already shows signs of deterioration due to the use of artificial fertilizers, and it is therefore certain that, even with the greatest possible increase in production, participation in the world market could NOT be avoided.

The considerable expenditure of foreign currency to secure food by import, even in periods when harvests are good, increases catastrophically when the harvest is really poor. The possibility of this catastrophe increases correspondingly to the increase in population, and the annual 560,000 excess in births would bring about an increased consumption in bread, because the child is a greater bread eater than the adult.

Permanently to counter the difficulties of food supplies by lowering the standard of living and by rationalization is impossible in a Continent which had developed an approximately equivalent standard of living. As the solving of the unemployment problem has brought into effect the complete power of consumption, some small corrections in our agricultural home production will be possible, but NOT a wholesale alteration of the standard of food consumption. Consequently autarchy becomes impossible, specifically in the sphere of food supplies as well as generally.

Participation in World Economy. There are limits to this which we are unable to transgress. The market fluctuations would be an obstacle to a secure foundation of the German position; international commercial agreements do NOT offer any guarantee for practical execution. It must be considered on principle that since the World War (1914-18) an industrialization has taken place in countries which formerly exported food. We live in a period of economic empires, in which the tendency to colonize again approaches the condition which originally motivated colonization; in JAPAN and ITALY economic motives are the basis of their will to expand, the economic need will also drive GERMANY to it. Countries outside the great economic empires have special difficulties in expanding economically.

The upward tendency, which has been caused in world economy, due to armament competition, can never form a permanent basis for an economic settlement, and this latter is also hampered by the economic disruption caused by Bolshevism. It is a pronounced military weakness of those States who base their existence on export. As our exports and imports are carried out over those sea lanes which are ruled by BRITAIN, it is more a question of security of transport rather than one of foreign currency, and this explains the great weakness in our food situation in wartime. The only way out, and one which



H1228-0107

may appear imaginary, is the securing of greater living space, an endeavor which at all times has been the cause of the formation of states and of movements of nations. It is explicable that this tendency finds no interest in GENEVA and in satisfied States. Should the security of our food position be our foremost thought, then the space required for this can only be sought in Europe, but we will not copy liberal capitalist policies which rely on exploiting colonies. It is NOT a case of conquering people, but of conquering agriculturally useful space. It would also be more to the purpose to seek raw material producing territory in Europe directly adjoining the Reich and not overseas, and this solution would have to be brought into effect in one or two generations. What would be required at a later date over and above this must be left to subsequent generations. The development of great world-wide national bodies is naturally a slow process and the German people, with its strong racial root, has for this purpose the most favorable foundations in the heart of the European Continent. The history of all times - Roman Empire, British Empire - has proved that every space expansion can only be effected by breaking resistance and taking risks. Even setbacks are unavoidable; neither formerly nor today has space been found without an owner; the attacker always comes up against the proprietor.

The question for GERMANY is where the greatest possible conquest could be made at lowest cost.

German politics must reckon with its two hateful enemies, ENGLAND and FRANCE, to whom a strong German colossus in the centre of EUROPE would be intolerable. Both these states would oppose a further reinforcement of GERMANY, both in EUROPE and overseas, and in this opposition they would have the support of all parties. Both countries would view the building of German military strongpoints overseas as a threat to their overseas communications, as a security measure for German commerce, and retrospectively a strengthening of the German position in Europe.

ENGLAND is NOT in a position to cede any of her colonial possessions to us owing to the resistance which she experiences in the Dominions. After the loss of prestige which ENGLAND HAS suffered owing to the transfer of ABYSSINIA to Italian ownership, a return of EAST AFRICA can no longer be expected. Any resistance on ENGLAND's part would at best consist in the readiness to satisfy our colonial claims by taking away colonies which at the present moment are NOT in British hands, e.g. ANGOLA. French favors would probably be of the same nature.

A serious discussion regarding the return of colonies to us could be considered only at a time when ENGLAND is in a state of emergency and the German Reich is strong and well-armed. The Fuhrer does not share the opinion that the Empire is unshakeable. Resistance against the Empire is to be found less in conquered territories than amongst its competitors. The British Empire and the Roman Empire cannot be compared with one another in regard to durability; since the Punic Wars the latter did not have a serious political enemy. Only the dissolving effects which originated in Christendom, and the signs of age which creep into all states, made it possible for the Ancient Germans to subjugate Ancient ROME.

Alongside the British Empire today a number of States exist which are stronger than it. The British Mother Country is able to defend its colonial possessions only allied with other States and NOT by its own power. How could ENGLAND alone, for example, defend CANADA against an attack by AMERICA or its Far Eastern interests against an attack by JAPAN.

The singling out of the British Crown as the bearer of Empire unity is in itself an admission that the universal empire cannot be maintained permanently by power politics. The following are significant pointers in this respect.



H1228-0108

a) IRELAND's tendency for independence.

b) Constitutional disputes in INDIA where ENGLAND, by her half-measures, left the door open for Indians at a later date to utilize the nonfulfillment of constitutional promises as a weapon against BRITAIN.

c) The weakening of the British position in the FAR EAST by JAPAN.

d) The opposition in the MEDITERRANEAN to Italy which - by virtue of its history, driven by necessity and led by a genius - expands its power position and must consequently infringe British interests to an increasing extent. The outcome of the ABYSSINIAN War is a loss of prestige for Britain which Italy is endeavoring to increase by stirring up discontent in the MOHAMMEDAN world.

It must be established in conclusion that the Empire cannot be held permanently by power politics by 45 million Britons, in spite of all the solidity of her ideals. The proportion of the populations in the Empire, compared with that of the Motherland is 9:1, and it should act as a warning to us that if we expand in space, we must NOT allow the level of our population to become too low.

France's position is more favorable than that of ENGLAND. The French Empire is better placed geographically, the population of its colonial possessions represents a potential military increase. But FRANCE is faced with difficulties of internal politics. At the present time only 10 per cent approximately of the nations have parliamentary governments whereas 90 per cent of them have totalitarian governments. Nevertheless we have to take the following into our political considerations as power factors:

BRITAIN, FRANCE, RUSSIA and the adjoining smaller States.

The German question can be solved only by way of force, and this is never without risk. The battles of FREDERICK THE GREAT for SILECIA, and BISMARCK's wars against AUSTRIA and FRANCE had been a tremendous risk and the speed of PRUSSIAN action in 1870 had prevented AUSTRIA from participating in the war. If we place the decision to apply force with risk at the head of the following expositions, then we are left to reply to the questions "when" and "how". In this regard we have to decide upon three different cases.

Case 1. Period 1943-45. After this we can only expect a change for the worse. The re-arming of the Army, the Navy and the Air Force, as well as the formation of the Officers' Corps, are practically concluded. Our material equipment and armaments are modern, with further delay the danger of their becoming out-of-date will increase. In particular the secrecy of "special weapons" cannot always be safeguarded. Enlistment of reserves would be limited to the current recruiting age groups and an addition from older untrained groups would be no longer available.

In comparison with the re-armament, which will have been carried out at that time by the other nations, we shall decrease in relative power. Should we not act until 1943/45, then, dependent on the absence of reserves, any year could bring about the food crisis, for the countering of which we do NOT possess the necessary foreign currency. This must be considered as a "point of weakness in the regime". Over and above that, the world will anticipate our action and will increase counter-measures yearly. Whilst other nations isolate themselves we should be forced on the offensive.



H1228-0109

What the actual position would be in the years 1943-45 no one knows today. It is certain, however, that we can wait no longer.

On the one side the large armed forces, with the necessity for securing their upkeep, the ageing of the Nazi movement and of its leaders, and on the other side the prospect of a lowering of the standard of living and a drop in the birth rate, leaves us no other choice than to act. If the Fuhrer is still living, then it will be his irrevocable decision to solve the German space problem no later than 1943-45. The necessity for action before 1943-45 will come under consideration in cases 2 and 3.

Case 2. Should the social tensions in FRANCE lead to an internal political crisis of such dimensions that it absorbs the French Army and thus renders it incapable for employment in war against GERMANY, then the time for action against CZECHOSLOVAKIA has come.

Case 3. It would be equally possible to act against CZECHOSLOVAKIA if FRANCE should be so tied up by a war against another State, that it cannot "proceed" against Germany.

For the improvement of our military political position it must be our first aim, in every case of entanglement by war, to conquer CZECHOSLOVAKIA and AUSTRIA simultaneously, in order to remove any threat from the flanks in case of a possible advance Westwards. In the case of a conflict with FRANCE it would hardly be necessary to assume that CZECHOSLOVAKIA would declare war on the same day as FRANCE. However, CZECHOSLOVAKIA's desire to participate in the war will increase proportionally to the degree to which we are being weakened. Its actual participation could make itself felt by an attack on SILESIA, either towards the North or the West.

Once CZECHOSLOVAKIA is conquered - and a mutual frontier, GERMANY-HUNGARY is obtained - then a neutral attitude by POLAND in a German-French conflict could more easily be relied upon. Our agreements with POLAND remain valid only as long as GERMANY's strength remains unshakeable; should GERMANY have any setbacks then an attack by POLAND against EAST PRUSSIA, perhaps also against POMERANIA, and SILESIA, must be taken into account.

Assuming a development of the situation, which would lead to a planned attack on our part in the years 1943-45, then the behavior of FRANCE, POLAND and RUSSIA would probably have to be judged in the following manner:

The Fuhrer believes personally that in all probability ENGLAND and perhaps also FRANCE have already silently written off CZECHOSLOVAKIA, and that they have got used to the idea that this question would one day be cleaned up by GERMANY. The difficulties in the British Empire and the prospect of being entangled in another long-drawn-out European War, were decisive factors in the non-participation of ENGLAND in a war against GERMANY. The British attitude would certainly NOT remain without influence on FRANCE's attitude. An attack by FRANCE without British support is hardly probable assuming that its offensive would stagnate along our Western fortifications. Without England's support, it would also NOT be necessary to take into consideration a march by France through Belgium and Holland, and this would also not have to be reckoned with by us in case of a conflict with France, as in every case it would have as consequence the enmity of Great Britain. Naturally, we should in every case have to bar our frontier during the operation of our attacks against CZECHOSLOVAKIA and AUSTRIA. It must be taken into consideration here that Czechoslovakia's defence measures will increase in strength from year to year, and that a consolidation of the inside values of the Austrian army will also be effected in the course of years. Although the population of Czechoslovakia in the first place is not a thin one, the embodiment of Czechoslovakia and Austria would nevertheless constitute the conquest of food for 5-6 million people, on the basis that a compulsory emigration of 2 million from Czechoslovakia and of 1 million



H1228-0110

from Austria could be carried out. The annexation of the two States to Germany militarily and politically would constitute a considerable relief, owing to shorter and better frontiers, the freeing of fighting personnel for other purposes and the possibility of re-constituting new armies up to a strength of about 12 Divisions, representing a new division per 1 million population.

No opposition to the removal of Czechoslovakia is expected on the part of Italy; however, it cannot be judged today what would be her attitude in the Austrian question since it would depend largely on whether the Duce were alive at the time or not.

The measure and speed of our action would decide Poland's attitude. Poland will have little inclination to enter the war against a victorious Germany, with Russia in its rear.

Military participation by Russia must be countered by the speed of our operations; it is a question whether this need be taken into consideration at all in view of Japan's attitude.

Should Case 2 occur - paralyzation of France by a Civil war - then the situation should be utilized at any time for operations against Czechoslovakia, as Germany's most dangerous enemy would be eliminated.

The Fuhrer sees Case 3 looming nearer; it could develop from the existing tensions in the MEDITERRANEAN, and should it occur he has firmly decided to make use of it any time, perhaps even as early as 1938.

Following recent experiences in the course of the events of the war in Spain, the Fuhrer does NOT see an early end to hostilities there. Taking into consideration the time required for past offensives by Franco, a further three years duration of war is within the bounds of possibility. On the other hand, from the German point of view a 100 per cent victory by Franco is not desirable; we are more interested in a continuation of the war and preservation of the tensions in the Mediterranean. Should Franco be in sole possession of the Spanish Peninsula it would mean the end of Italian intervention and the presence of Italy on the Balearic Isles. As our interests are directed towards continuing the war in Spain, it must be the task of our future policy to strengthen Italy in her fight to hold on to the Balearic Isles. However, a solidification of Italian positions on the Balearic Isles can NOT be tolerated either by France or by England and could lead to a war by France and England against Italy, in which case Spain, if entirely in white (i.e. Franco's) hands, could participate on the side of Italy's enemies. A subjugation of Italy in such a war appears very unlikely. Additional raw materials could be brought to Italy via Germany. The Fuhrer believes that Italy's military strategy would be to remain on the defensive against France on the Western frontier and carry out operations against France from Libya against North African French colonial possessions.

As a landing of French-British troops on the Italian coast can be discounted, and as a French offensive via the Alps to Upper Italy would be extremely difficult and would probably stagnate before the strong Italian fortifications, French lines of communication by the Italian fleet will to a great extent paralyze the transport of fighting personnel from North Africa to France, so that at its frontiers with Italy and Germany, France will have at its disposal solely the metropolitan fighting forces.

If Germany profits from this war by disposing of the Czechoslovakian and the Austrian questions, the probability must be assumed that England - being at war with Italy - would not decide to commence operations against Germany. Without British support a warlike action by France against Germany is not to be anticipated.



H1228-0111

The date of our attack on Czechoslovakia and Austria must be made dependent on the course of the Italian-English-French war and would not be simultaneous with the commencement of military agreements with Italy, but of full independence and, by exploiting this unique favorable opportunity he wishes to begin to carry out operations against Czechoslovakia. The attack on Czechoslovakia would have to take place with the "speed of lightning" (blitzartig schnell).

Feldmarshall von Blomberg and Generaloberst von Fritsch in giving their estimate on the situation, repeatedly pointed out that England and France must not appear as our enemies, and they stated that the war with Italy would NOT bind the French army to such an extent that it would NOT be in a position to commence operations on our Western frontier with superior forces. Generaloberst von Fritsch estimated the French forces which would presumably be employed on the Alpine frontier against Italy to be in the region of 20 divisions, so that a strong French superiority would still remain on our Western frontier. The French would, according to German reasoning, attempt to advance into the Rhineland. We should consider the lead which France has got in mobilization, and quite apart from the very small value of our then existing fortifications - which was pointed out particularly by Generalfeldmarschall von Blomberg - the four motorized divisions which had been laid down for the West would be more or less incapable of movement. With regard to our offensive in a South-Easterly direction, Feldmarschall von Blomberg draw special attention to the strength of the Czechoslovakian fortifications, the building of which had assumed the character of a Maginot line and which would present extreme difficulties to our attack.

Generaloberst von Fritsch mentioned that it was the purpose of a study which he had laid on for this winter to investigate the possibilities of carrying out operations against Czechoslovakia with special consideration of the conquest of the Czechoslovakian system of fortifications; the Generaloberst also stated that owing to the prevailing conditions he would have to relinquish his leave abroad, which was to begin on 10 November. This intention was countermanded by the Fuhrer who gave as a reason that the possibility of the conflict was not to be regarded as being so imminent. In reply to the remark by the Minister for Foreign Affairs, that an Italian-English-French conflict be not as near as the Fuhrer appeared to assume, the Fuhrer stated that the date which appeared to him to be a possibility was summer 1938. In reply to statements by Generalfeldmarschall von Blomberg and Generaloberst von Fritsch regarding England and France's attitude, the Fuhrer repeated his previous statements and said that he was convinced of Britain's non-participation and that consequently he did not believe in military action by France against Germany. Should the Mediterranean conflict already mentioned lead to a general mobilization in Europe, then we should have to commence operations against Czechoslovakia immediately. If, however, the powers who are not participating in the war should declare their disinterestedness, then Germany would, for the time being, have to side with this attitude.

In view of the information given by the Fuhrer, Generaloberst Goering considered it imperative to think of a reduction or abandonment of our military undertaking in Spain. The Fuhrer agreed to this in so far as he believed this decision should be postponed for a suitable date.

The second part of the discussion concerned material armament questions.

(Signed) HOSZBACH

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H1228-0112

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CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. 386-PS

18 November 1945.

I, EVE GLAZIER, P/O, W.R.N.S., 37371, hereby certify that I am thoroughly conversant with the English and German languages, and that the above is a true and correct translation of Document No. 386-PS.

EVE GLAZIER
P/O, W.R.N.S.
37371.



H1228-0113

H1228-0114

Exhibit USA 50 Filed Jan. 11, 1946

TRANSLATION OF DOCUMENT EC-397
OFFICE OF U S CHIEF OF COUNSEL

Berlin, 19 January 1939

Dear Mr. Minister!

On the occasion of your recall from office as President of the Reichsbank Directory I take the opportunity to express to you my most sincere and warmest gratitude for the services which you rendered repeatedly to Germany and to me personally in this capacity during long and difficult years. Your name, above all, will always be connected with the first epoch of the national rearmament. I am happy to be able to avail myself of your services for the solution of new tasks in your position as Reichsminister.

Wtih German Greetings

Your

(Signed) A. Hitler

To
Mr. Reich Minister
Dr. Hjalmar Schacht
Berlin

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. EC-397

21 November 1945

I, HANS OHRNBURGER, civilian, hereby that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document EC-397.

HANS OHRNBURGER

H1228-0115

Exhibit No. 649
Filed Jan. 11, 1946

TRANSLATION OF DOCUMENT NO. EC-398
OFFICE OF U.S. CHIEF OF UNSEL

In the Name of the German People

According to section 6 of the banking law I dismiss you as president of the board of directors of the Reich bank.

Berlin, January 20, 1939

The Fuehrer and Reich Chancellor
signed Adolf Hitler

To the
President of the board of directors
of the Reichbank, Reichminister
Dr. Schacht

(Signed) Dr. Lammers

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CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. EC-398

28 November 1945

HANS KUHN

I, , hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of the indicated document EC-398

HANS KUHN

TRANSLATION OF DOCUMENT EC 408
OFFICE OF U S CHIEF OF COUNSEL

Div. of National Defense (Abt. Landesverteidigung) | Secret Command Matter | 30.12.1936

Initialed G. 31/10 | 4 copies, 3rd. copy.

Report Memorandum

on the Four Year Plan and preparation of the war economy.

The Führer and Reich Chancellor has conferred powers in regard to mobilization preparations in the economic field that need further definition.

Powers were granted:

1. The Reich Minister of War and Commander in Chief of the Wehrmacht, by decision of the Reich Government on 4.4.33, to act as competent representative of the Führer and Reich Chancellor in matters concerning Reich defense.

   As stated in the Cabinet decree, he is responsible for the execution of the measures determined upon by the RVR and issues the directives for it to the Reich Ministries and other offices, which are then responsible for the further steps necessary.

   This grant of authority definitely takes into account the superior position, in time of war, of the R.K.B., which is emphasized by the delegation of the executive power (cf. RVC).

2. The Plenipotentiary General for the War Economy, through the Reich Defense Law and the Reich Government's resolution of 21.5.35.

   The G.B. (Generalbevollmachtigte), according to this, is to commence his work in peacetime and direct the economic preparations for the eventuality of war.

   To this end, the economic departments (Ressorts) were uniformly placed under his authority in matters concerning the R.V.

3. Minister President Generaloberst Göring, as Commissioner for the Four Year Plan, by authority of the Führer and Reich Chancellor, granted 18.10.36.

   As regards the war economy, Min. Pres. Gen. Oberst Goring sees it as his task "within 4 years to put the entire economy in a state of readiness for war." (Cf. letter Göring - Schacht St.M.R.V. 516 g.Rs. of 18.12.36.)

   Minister President Gen. Oberst Göring was also given far-reaching powers to issue directives to all the highest offices (Obersten Dienststellen) of the State and the Party.

The mere comparison of these tasks has shown (see correspondence Min. Pres. Gen. Oberst Göring - Minister Schacht as G.B. for War Economy) that this situation is untenable.

A fruitless correspondence will be carried on among the offices of the three persons empowered to accomplish the same tasks, without leading to unified cooperation in attaining the goal.

It is recommended, therefore:

That the Fuehrer be asked to limit the authorized powers on the following basis:

H1228-0116

Exhibit USA 627
Filed Jan. 11, 1946

TRANSLATION OF EXCERPTS FROM DOCUMENT NO. EC-415.
OFFICE OF U.S. CHIEF OF COUNSEL

Excerpts from "SCHACHT in seinen Aeusserungen". Berlin, 1937. (Printed in the Reichsbank Printing Office)

Page 20

Responsibility means not only to initiate a matter, but to carry it through to the end.

Everyone who has to rely upon himself, will utilize his forces to do the right thing, whereas the member of a mass will only too gladly rely upon the others. The masses lack initiative which necessarily originates within the individual. That is why the masses always like to follow a leader personality.

When we envisage dangers, we have to be able to identify them. And we have to take precautions that these dangers do not come up.

(The End of Reparations, Oldenburg, 1931).

Page 21

Only when a nation values her own ability and efforts as something valuable and when it sets its own cultural values above all others, is it able to add something worthwhile to international peaceful cultural cooperation.

(Principles of German Economic Policy, Oldenburg, 1932).

Pages 131 and 132

How can it be that, despite the most strenuous economic efforts, two decades of the postwar period have been able to restore so little? A new generation has grown up, and the devastated fields and cities have been rebuilt. But the memory of war weighs undiminished upon the peoples' minds. That is because deeper than material wounds, moral wounds are smarting, inflicted by the so-called peace treaties. Material loss can be made up through renewed labor, but the moral wrong which has been inflicted upon the conquered peoples in the peace dictates leaves a burning scar on the peoples' conscience. The spirit of the Versailles has perpetuated the fury of war, and there will not be a true peace, progress or reconstruction until the world desists from this spirit. The German people will not tire of pronouncing this warning.

(Address of 16 July 1936 in Hamburg at the occasion of the launching of the "Pretoria").

Page 129

From the first moment after the war I have joined the ranks of the then few who pointed out the senselessness of a policy dictated by the shortsighted hatred and chauvinist ignorance.

Strange as it may sound, the occupation of the Ruhr signified the turning point in the question of reparations, because it created, in the economic and moral sense, a legal situation favorable to Germany since it exposed in full clarity to the world the stupidity of Poincare's policy in its economic implications.

H1228-0117

H1228-0118



The Versailles dictate can not be an eternal document, because not only its economic, but also its spiritual and moral promises are wrong.

(The stabilization of the mark, Stuttgart, 1927).

Page 144

Germany has too little living space for her population. She has made every effort, and certainly greater efforts than any other nation, to extract from her own existing small space whatever is necessary for the securing of her livelihood. However, in spite of all these efforts, the space does not suffice. The lack of industrial raw materials is even greater than the scarcity of foodstuffs. A securing of the means of livelihood for the German people can not be effected by commercial-political agreements of any kind. The allocation of colonial space is the given solution for the existing difficulties.

(Lecture of 9 December 1936, at the occasion of the Centennial for Geography and Statistics in Frankfurt-on-the-Main).

CERTIFICATE OF TRANSLATION OF
DOCUMENT No. EC-415.

5 December 1945

I, Edith Simon (civilian) certify that I am thoroughly conversant with the English and German languages and that the foregoing is a true and correct translation of the Document No. EC-415.

(Signed) EDITH SIMON

TRANSLATION OF DOCUMENT EC-416
OFFICE OF U S CHIEF OF COUNSEL

Exhibit USA 635
Filed Jan. 11, 1946

Secret Reich Matter.

Minutes of Cabinet Meeting (Ministerrat) of

4 September 1936, 12 Noon.

Chairman: Ministerpaesident Generaloberst Goering
Reichskriegsminister Generalfeldmarschall von Blomberg
Reichsbankpraesident und kommissarischer Reichs- und
Preussischer Wirtschaftsminister Dr. Schacht
Reichsfinanzminister Graf Schwering von Krosigk
Preussischer Finanzminister Prof. Dr. Popitz
Staatssekretaer Koerner
Wirtschaftsbeauftragter des Fuehrers Keppler
Ministerialdirektor Staatsrat Neumann
Stabsamtsfuehrer des Reichsbauernfuehrers Dr. Reischle
Keeper of the minutes: Lt. Col. Loeb of the General Staff.

- - - - - - - - - -

Min.Pres. Goering:

Today's meeting is of greater importance than all previous meetings.

At the last cabinet meeting of 11 August 1936 it was agreed that supplementary material was needed in order to make it possible to reach a decision.

Meanwhile new trouble has arisen, especially in connection with non-precious metals and rubber; even the Fuehrer has been drawn into this affair.

In the discussion of 1 September 1936 it was established that any trouble must be avoided before the Parteitag (Party Meeting). Geh. Rat Allmers had no authority for the letter in which he speaks of a 2-3 working week for the automobile industry. On 1 September 1936 temporary measures for the period lasting until the middle of October, when a decision will be reached, were ordered and are to be carried through.

In the same meeting special attention was called to our unpaid claims upon foreign countries which are presumably higher yet than the reported claims. Thus it is stupid to rack one's brain because of a few million marks. But an examination must be made in order to find out whether the claims reported as bad cannot really be collected.

Existing reserves will have to be touched for the purpose of carrying us over this difficulty until the goal ordered by the Fuehrer has been reached; in case of war they are not a reliable backing in any case.

Certain persons have been asked for memoranda on the basis conduct of economy. So far only one was presented by Dr. Goerdeler and it is absolutely useless. In addition to many other erroneous thoughts it contains the proposal of considerable limitation of armaments.

In this connection it should be stated that the authority of the Col. General refers to the "insuring of armaments" which must rather be sped-up than slowed down.



H1228-0119

The Fuehrer and Reichskanzler has given a memorandum to the Col. General and the Reich War Minister which represents a general instruction for the execution thereof.

It starts from the basic thought that the showdown with Russia is inevitable. What Russia has done in the field of reconstruction, we, too, can do.

Just what sort of risk it is, that our industry is afraid of, compared to the risk in the field of foreign affairs which the Fuehrer runs so continuously?

The Fuehrer is going to have a memorandum issued concerning the financila angle of this problem.

Research on the problem of increasing exports, e. g., has shown that fundamentally new ways can hardly be found. It will not be possible to create a balance of foreign exchange merely by means of export. The "New Plan" of the Reichswirtschaftminister is acceptable in its basic features - but it can be improved in details.

The Colonel General reads the memorandum of the Fuehrer.

The Colonel General is responsible for the execution of the tasks outlined in the memorandum.

If war should break out tomorrow we would be forced to take measures from which we might possibly still shy away at the present moment. They are, therefore, to be taken.

Two basic principles:

1) We must strive with greatest energy for autonomy in all those fields in which it is technically possible; the yearly amount of foreign exchange savings must still surpass that of the first proposal of the raw materials and foreign exchange staff anticipating a savings of 600 million Reichsmarks.

2) We have to tie over with foreign exchange in all cases where it seems necessary for armament and food.

In order to provide for foreign exchange, its flow abroad must be avoided by all means; on the other hand, whatever is abroad must be brought in.

The Fuehrer is going to speak very soon to the industrial leaders and expose to them his fundamental thoughts.

In view of the power of the State the necessary measures can definitely be carried through. Frederic the Great, to whom reference is being made from the most diverse sides, was in his financial behaviour a strong inflationist.

Through the genius of the Fuehrer things which were seemingly impossible have become a reality in the shortest time; last example: introduction of the two-year service law and recognition on the part of France that we need a stronger Wehrmacht than France herself. The tasks now ahead of us are considerably smaller than those which we have already accomplished.



H1228-0120

All those measures which can be carried through with internal German money are possible and should be carried out. Through them the requirements of industry and food supply needing foreign exchange must be pushed into the second line.

All measures have to be taken just as if we were actually in the stage of imminent danger of war.

The execution of the order of the Fuehrer is an absolute command.

End of meeting: 1300.

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO EC-416

21 November 1945

I, Marie-Louise Acton, civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of the Document No. EC-416.

Marie-Louise Acton



H1228-0121

TRANSLATION OF DOCUMENT EC 419
OFFICE OF U S CHIEF OF COUNSEL

Exhibit USA 621
Filed Jan. 10, 1946

D.R.d.F. Berlin, Sept. 1, 1938

Secret matter of State

My Fuehrer:

There has been no possibility to verbally explain to you the financial situation of Germany, although I asked for this opportunity. I consider it my duty to describe to you the present situation and for further explanations and additions, I am at your disposal at any time.

1. Since the assumption of power, the definite policy has been followed to finance the large and once occurring expenditures for the first labor procurement and for the re-armament by means of loans. When this was not possible through the normal use of the money--and investment market, that is from the annual savings increase in Germany, the financing was arranged through the discounting of bills of exchange (trade and MEFO (Metalurgic Research Inc.) bills of exchange) at the Reichsbank, which means the printing of money. This creation of funds was of no danger to the currency because the increased circulation of money was offset by a corresponding increase of production. When, at the turn of 1937-1938, the state of full production was reached, the system of MEFO bills of exchange, which at that time amounted to 12 milliards RM, was abandoned, because this system by now would have resulted in inflation. Also it could be abandoned as the increasing income from taxes and the growing savings offered the possibility to cover the [illegible] normal expenditures through taxes and loans. The income from federal taxes, from 1932 to 1937, increased from 6.5 Milliards to 14 Milliards. During the same period, armament expenditures rose from 3/4 Milliards to 11 Milliards. The development of the Reich debt is as follows:

| IN MILLIARDS RM | 12/31/1932 | 6/30/1938 |
|---|---|---|
| Fonded debt | 10.4 | 19. |
| Current debt | 2.1 | 3.5 |
| Debt (not subscribed to by public (Trade and MEFO BILLS OF EXCHANGE) | - | 13.3 |
| | 12.5 | 35.8 |

This shows that the Reich debt has tripled.

Provisions were made to cover the armament expenditures for the year 1938 (the same amount as in 1937) as follows:

5 Milliards from the budget, that is taxes

4 Milliards from loans

2 Milliards from 6 months treasury notes (which means postponement of payment until 1939)

Total 11 Milliards

Income from taxes and the investment market offered the security that this program would be maintained within its limits.

2. During 1938 a basic change occurred.

(a) The armament expenditures increased to 14 Milliards caused by the retaking of Austria, the fortifications in the West, and the increased tempo of armament. I have provided for cover as follows:



H1228-0122

6 Milliards from the budget, that is taxes

6 Milliards from loans

2 Milliards from 6 months treasury notes
(which means postponement of payment until 1939)

Total 14 Milliards

The increase from 5 to 6 Milliards charged to the budget is covered by the increase of corporations taxes, from 30 to 40 percent, and the transfer of certain tax incomes from the communities to the Reich. The amount of 6 instead of 4 Milliards from loans can be obtained if the investment market is made unavailable for all other purposes, especially the building of homes; corresponding measures have been taken in collaboration with Minister Funk.

(b) It was intended to float another loan in September (the last loan was floated in April). This is very necessary because the increasing cash expenditure for the Army (900 Millions in August, 1200 Millions in September) have completely exhausted the cash balances of the Reich. The cash resources will be exhausted during September; a statement regarding the proceeds resulting from a loan is not necessary, as the securing of funds by means of printing of currency is out of the question.

(c) The intended floating of a new loan is faced with the difficulty, that during the last weeks--since the middle of July and in an especially alarming degree--Reich obligations have appeared on the market and had to be absorbed by the Reich. If these obligations would not be taken up, Government issues would drop in value; because of it the floating of future loans by the Reich would be difficult or impossible. Up to now, 465 million RM's had to be absorbed.

(d) The reasons for the liquidation of Reich loans is found in:

(1) The necessity of industry to finance itself.

(2) A larger inventory of stocks (to safeguard against any temporary shortages of materials).

(3) The hoarding of money caused by the fear of the limitation of credit.

(4) And in the conversion of Reich obligations into material values caused primarily by a war--and inflation psychosis.

The inflation psychosis is strengthened due to the wage and price increases since 1937 which now are very evident in the western territories. The war psychosis originates from the gossip by all circles of the people that war would begin on October 1.

3. The change in the situation, therefore, is due to the fact that we are steering towards a serious financial crisis, the forebodings of which, have lead already abroad to detailed discussions of this weak side in our economic preparations and to an apprehensive loss of confidence domestically.



H1228-0123

To regain the confidence, it is most important to eliminate the inflation psychosis. For this purpose, the authorities should make declarations and give explanations in accordance with the following outline:

(a) Increase of the Reich debt is not inflation. The floating of loans has always been and is also now necessary for large, once-occuring national tasks. Even so, the Reich debt would rise to 50 milliards, it would only represent 2/3 of the annual national income and the annual service of the debt would not be as much as the unemployment compensation payments during the year 1932.

(b) The printing of money without a corresponding production increase is self deception. The Third Reich, therefore, will not choose the way of inflation but will continue to float loans, the subscription to which is as much a patriotic duty as is the safest investment.

(c) The hoarding of money is not only a crime against the nation as a whole, but also it is foolishness.

(d) A planned regulation and distribution of government expenditures will see to it that prices and wages are not forced up by Government offices competing against each other.

(e) The over-employment in public offices has caused idleness, double work and frictions. A thorough simplification will remedy this.

If you, my Fuehrer, would inform the German people along these lines already at the annual party-meeting, it would put a stop to the inflation psychosis and it would be an important step for the possibility to float further loans and with it, would stabilize our financial policy.

4. The second step is to clarify our foreign policy. As every war in the future will be fought not only with military means but also will be an economic war of greatest scope, I consider it my unavoidable duty to present to you, my Fuehrer, in fullest truthfulness and sincerity my deep anxiety for the future of Germany, which is based on my knowledge of the economic conditions of our country and also those of the outside world.

Whether or not the war stays localized in the event of a show-down with Czechoslovakia depends mainly on England. Judging from my knowledge of England and the English people, gained over many years, the now repeatedly expressed attitude to take action is no bluff, which fact undoubtedly can be discerned in their careful English way of expression. Even if Chamberlain and Halifax would not want war, the war mongers and possible successors, Churchill-Eden, stand behind them.

The fact that England is not ready for war militarily, does not prevent England from entering it. Because she possesses two great trump cards. One is the soon expected active participation of the United States of America in the war. At present, two tendencies prevail in the United States, one is a propaganda of hate against Germany of the greatest scope, mainly supported by Jewish circles, and the other is the continuing economic crisis, the solution to which can be found only in a European war because of the failure of every experiment tried by Roosevelt. American industry now only occupied to the extent of 25%, would at once be

converted into a war industry of unimaginable production capacity, altogether different from 1914-1918.

The second trump card is, Germany shows financial and economic weaknesses, although she has a head start militarily. Germany's self-sufficiency for the required war needs is only in the early stages. In my opinion, it is Utopia to think that we can secure the necessary raw materials with importations from the Southeast and by the exploitation of our own resources. Economically, we are in a position which corresponds with Germany's situation in 1917. The Western powers would not run against the west wall but would let Germany's economic weakness take effect until we, after early military successes, become weaker and weaker and finally will lose our military advantage due to deliveries of armaments and airplanes by the United States. But also a decisive point is the attitude and morale of the people. From it depends the spirit with which thr army will fight. It is difficult for a nation that already experienced and lost a war within a generation--to raise the inner strength, morally and physically which is so vital to the victory of a new war. When the restitution of our military freedom, the occupation of the Rheinland and liberation of Austria was involved, the whole nation was deeply convinced of our rights and the necessity of our actions. But the peoples attitude towards the Czech situation is different. Should this problem again result in a world war, then the German people's confidence in you, my Fuehrer, would be shaken in its roots; because it believes you will never put our nation in the same situation as in 1914-1918. And it would not be able to bear for very long the sufferings of war, large and small, such as the rationing of fats, bombing attacks, the loss of husbands & sons.

Most important is: "Time works in our favor".
(1) The increase in power which we gain each month and each year through the completion of our military and primarily our economic preparations, is considerably greater than the added strength which the Western powers gain from their own re-armaments. (2) Certain powers inside France, growing month by month, try to break the alliance with Czechoslovakia, although I was now of the opinion that France, probably with clenched fists and a heavy heart, would fulfill her duty as an ally in order not to lose face as a major power and to keep her national honor. (3) In America a reaction against the Jewish propaganda of hatred is noticeable; this reaction requires time to develop. Each improvement of the economic conditions in the United States of America reduces the urge to find a solution of her difficulties in a war and it strengthens the prevailing tendency of the broad masses of the American people to stay aloof from European quarrels.

We therefore can only gain by waiting. For this reason, the fanatical desire of the Communists, Jews, and Czechs, is to involve us now in a war because they see in the present situation the last possibility to cause a world war out of the Czech problem and consequently the possibility to destroy the hated Third Reich. I am firmly convinced that, if Germany awaits her hour with the calmness of the Strong against all provocations and completes her armaments in the meantime and especially creates a balance between military and economic preparations which now does not exist, and the creation and publicizing of a demand which is convincing in its righteousness to the German people and the outside world--the demand, for instance, for the right of self-determination by the Sudeten Germans would weaken any slogan coined by England to take her people into war against Germany--would put Czechollovakia in the wrong before the world, the day will not be far off when the final death thrust can be dealt to the Czechs.

I am, my Fuehrer, in steadfast loyalty.

Your very devoted

(signed)

Schwerin-Krosigk

H1228-0125

CERTIFICATE OF TRANSLATION
OF DOCUMENT EC 419

I, Hans R. Ohrnberger, Civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document EC 419.

Hans R. Ohrnberger

H1228-0126

Exhibit USA 639
Filed Jan. 11, 1946

H1228-0127

TRANSLATION OF DOCUMENT NO. EC-420 -
OFFICE OF U.S. CHIEF OF COUNSEL

Draft

Military Economy Staff
No. 4610/36 g.K. F.O. IaF

Berlin
19 December 1936

Reference: L No. 2098/36 g.K. IV a of 9 December 1936
In re: Law for War Administration.

To: SECRET COMMAND MATTER

L

The Military Economy Staff expresses the following opinion on the letter of reference:

1. The control of war economy in the civilian sector in case of war is possible only for that person, who, in peace-time has made preparations for war under his own responsibility.

Upon recognizing this fact, a year and a half ago, Reichsbank President Dr. Schacht was appointed Plenipotentiary General for War Economy and an Operations Staff was attached to his office.

This arrangement has only the one disadvantage that the right of the Reich War Minister to give him directives is disputed by the Plenipotentiary General; the latter intends also in case of war, to place himself outside the executive power to be given to the Reich War Minister. There is unanimity between L and the Military Economy Staff regarding the necessity of a new arrangement on this matter.

2. The Military Economy Staff does not deem it compatible with the principle laid down in Number 1, Paragraph 1, if the Plenipotentiary General for War Economy is now placed under the Minister President Colonel General Goering's command.

If the service agency of Colonel General Goering should not continue to exist in case of war and, therefore, would also not be able to assume any responsibility, from this arrangement will ensue a disastrous division of responsibilities.

Should, on the other hand, the intention be to keep Colonel General Goering's service agency going, also in case of war, for logical reasons, one must go all the way and entrust it, also in peace-time, with the full and exclusive responsibility for the preparation of the War Economy. Anything else would be a half-measure, which would, like any half-measure, avenge itself in case of war. But such a solution spells great danger under the prevailing circumstances.

3. So far, the Military Economy Staff has proceeded from the assumption that the service agency of Colonel General Goering is a temporarily established office set up to deal with peace-time tasks. If this assumption is correct, in our opinion only the following delimitation of tasks of the Plenipotentiary General and Colonel General Goering's service agency, respectively are possible.

All measures, which above all, serve peace-time economic purposes (e.g. the assurance of the German gasoline and buna (rubber) production and all measures which, with the consent of the Reich War Minister and of the Plenipotentiary General for War Economy, will be taken over, totally or in part, into the Four Year Plan, will be carried out responsibly by Colonel General Goering's service agency and with the cooperation of the

H1228-0128

Reich War Minister and of the Plenipotentiary General for War Economy.

All remaining war preparations in the economic field will continue to be the responsibility of the Reich War Ministry or of the Plenipotentiary General for War Economy who is bound by the instructions of the deputy chairman of the Reich Defense Council (Reichsverteidigungsrat).

4. The Military Economy Staff proposes, after settling the question whether the service agency of Colonel General Goering will remain in existence in case of war or after establishing the fact that it will be dissolved upon outbreak of war, to begin negotiations with Staatssekretaer Koerner. The whole question touches so decisively on the jurisdiction and the responsibility of the Military Economy Staff that the Military Economy Staff has to request, to conduct all further negotiations on this matter in closest understanding with the Military Economy Staff. Every step which is now done in the wrong direction out of ignorance of the indide facts and the effects resulting therefrom, must influence disadvantageously the Military Economy Staff in its work.

Therefore, it is being proposed to advocate absolutely that in case of war the service agency of Colonel General Goering as Commissioner for the Four Year Plan be dissolved and that for the preparation of this measure the following arrangement be prescribed:

a. The delimitation of tasks in peace-time in the sense of the above made statement.

b. To keep the individual departments of the present service agency of Colonel General Goering in case of war which would then have to be attached partially to the Reich War Minister (Fuels) and partially to the Plenipotentiary General for War Economy.

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CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. EC-420

28 November 1945

I, ARTHUR ALLEN, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of the indicated document EC-420

ARTHUR ALLEN

Exhibit No 645
Filed Jan. 11, 1946

PARTIAL TRANSLATION OF DOCUMENT NO. EC-421
OFFICE OF U.S. CHIEF OF COUNSEL.

Partial translation of Minutes taken by a member of the staff of General Thomas on 11 March 1938 at 1500 hours.

Present : General Thomas, Chef W Wi, W Rue, W Ro
Lt. Col. Becker, Lt. Col. Dreivs,
Lt. Col. Huenerm, Major P, and Captain
Zinnemann.

Lt. Col. Huenerm reads Directive of the Fuehrer of 11 March concerning the "Action Otto" and informs us that "Economy War Service Law" has been put in force. He then reads Directives 1 and 2 and gives special orders to troops for crossing Austrian borders. After that according to a suggestion by Schacht no requests should take place but everything should be put in Reichsmarks on an exchange basis of two shillings to one Reichsmark.

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CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. EC-421

I, LEO LOEB (civilian), hereby certify that I am thoroughly conversant with the English and German languages, and that the above is a true and correct translation of Document No. EC-421.

(Signed) LEO LOEB.

H1228-0129

H1228-0130

EXCERPTS FROM DOCUMENT EC-432
OFFICE OF U S CHIEF OF COUNSEL

Statements from Douglas Miller's
Annual Economic Review - Germany 1935

Page 1. "The year 1935 was memorable in Germany for the revival of universal military service and of rearmament on a huge scale. In March, General Goering paved the way by announcing the creation of a German air force. A few days later, Riech Chancellor Hitler announced that universal military service was to be inaugurated during the year, that in the future German youths of 19 would be called for preliminary service in work camps and later on to be taken over by the Army."

Page 3. "The German production of motor fuel (gasoline, benzol and alcohol) which formerly made up only about 10 per cent of Germany's total motor fuel requirements of 3 million tons a year, is now one-third of the total..... It is estimated that within two years Germany can produce approximately two-thirds of its annual petroleum requirements from domestic sources or enough to satisfy military needs in time of war when civilian use of automobiles is curtailed."..... (page 37). "The new motorized German army will be able to stand on its own feet in regard to fuel supplies."

Page 3. "Germany is making a trememdous effort at national self-sufficiency in war materials as well as in foodstuffs and hopes to become blockade-proof. One can say that the goal is permanent industrial mobilization."

Page 21 - 22. "At all events, it is plain that Germany is steering toward a system of state capitalism with the major emphasis upon military preparedness..... All in all, Germany is investing its capital and its manpower in military preparations. If no war comes, this will certainly prove at the very best a waste of much-needed resources."

"In 1935, rearmament definitely became the dominating factor in German economics and finance. The transition from a professional Army restricted by the Versailles Treaty to 100,000 men, to a conscription army of probably half a million equipped with all arms and weapons such as tanks, heavy artillery, etc., that were also prohibited under the treaty, meant a colossal one-time expenditure. The simultaneous creation of the most modern air force in Europe added tremendously to this heavy burden."

Page 23. Dr. Schacht in his famous Koenigsberg address on August 18, 1935, stated that: "Just as a soldier is doing his duty in the Army, every German citizen engaged in economic pursuits must have the feeling that he is serving the community. Economic duty and economic will are the corollaries of military service and the will to defense."

Page 25. "Practically every current measure of economic policy and administration is considered from the angle of military preparedness."

The favored method of economic preparedness and mobilization "aims at standardization of the equipment and current production of private industries so as to be able

H1228-0131



to turn them over to military production with the least possible delay in time of war. Emphasis laid not on large stocks but on capacity."

Exhibit USA 620
Filed Jan. 10, 1946

PUHL DEPOSITION
DOCUMENT NO. EC-436
OFFICE OF U S CHIEF OF COUNSEL

# DEPOSITION

2 November 1945

I, Emil Puhl, was a Director of the Reichsbank during the entire period of Dr. Schacht's Presidency of the Reichsbank in the years 1933 to 1939.

In the early part of 1935 the need for financing an accelerated rearmament program arose. Dr. Schacht, President of the Reichsbank, after considering various techniques of financing, proposed the use of "mefo" bills to provide a substantial portion of the funds needed for the rearmament program. This method had as one of its primary advantages the fact that secrecy would be possible during the first years of the rearmament program and figures indicating the extent of rearmament that would have become public through the use of other methods could be kept secret through the use of "mefo" bills.

"Mefo" bills, abbreviation for "mefo-wechsel", were drawn by the armament contractor and accepted by the Metallurgische Forschungsgesellschaft m.b.H. These bills ran for six months with extensions running for three months each consecutively. The total life of these bills varied and in some instances exceeded four years. The Reichsbank could discount the original bill any time within its last three months. The co-endorser and drawer did not have to accept any liability. (This provision results from a guarantee of the bill by the Reich.)

These "mefo" bills were used exclusively for financing rearmament, and when in March 1938, a new finance program discontinuing the use of "mefo" bills was announced by Dr. Schacht, there was a total volume outstanding of twelve billion marks of "mefo" bills which had been issued to finance rearmament. One of the primary reasons for discontinuing financing rearmament with"mefo" bills was that by the spring of 1938 it was no longer considered necessary to keep secret the progress of German rearmament. The rearmament boom had reached such proportions by the spring of 1938 that it became possible to raise sums by taxation and by the sale of government securities which could never have been raised when the armament program acceleration began in 1935.

I hereby swear that the foregoing is a true and correct statement of the facts.

EMIL PUHL

Witness: FOSTER ADAMS

Witness: MERLE K. BRENIZER

H1228-0132

Exhibit USA 624
Filed Jan. 10, 1946

DOCUMENT NO. EC-437
OFFICE OF U.S. CHIEF OF COUNSEL

AFFIDAVIT OF EMIL PUHL

I, Emil Puhl, make the following deposition under oath:

I was an official of the Reichsbank for over thirty years and a Director of the Reichsbank during the entire period of Dr. Schacht's presidency in the years 1933-1939.

The financial crisis that was precipitated by the application of the Oesterreichische Creditanstalt fur Handel und Gewerbe to the Austrian Government for assistance reached its climax in Germany in July of 1931. Stock exchanges were closed, most of the banks, with the exception of the Reichsbank , suspended cash payments and a brief banking holiday was declared.

One of the principal causes of this financial crisis in Germany was the demand by foreign creditors for the repayment of their loans in foreign currencies which loans had been made to German financial, industrial and governmental organizations. To block this tremendous drain of Germany's gold and foreign exchange an emergency decree of about 15 July concentrated all foreign exchange reserves in the Reichsbank. These provisional measures brought about by this financial crisis marked a great change in the money and banking methods of Germany and in subsequent years these early controls were expanded and drastically tightened.

To provide relief, the Hoover Moratorium in July 1931 suspended German reparation payments for one year. To meet the problem of short-term indebtedness "stand-still" agreements were made with foreign creditors. These generally provided more lenient terms for the German debtor and created various methods of partial repayment through providing marks with limited uses, such as travel in Germany. These "stand-still" agreements were revised and extended from time to time.



H1228-0133

After Hitler came to power and after Schacht returned to the presidency of the Reichsbank, the problem of Germany's long and medium term indebtedness was met by the declaration of a transfer moratorium. By law, starting 1 July 1933, German debtors were compelled to make payments in Reichsmarks (instead of the foreign currency in which the debt might have been incurred) on all interests and amortization payments of foreign debts incurred before the July 1931 crisis to the Konversionskasse für Auslandsschulden which was under the supervision of the Reichsbank. The law was not applicable to debts for which "stand-still" agreements had been concluded, the Dawes loans, the Young loans, or other foreign loans for which special arrangements were made. It was left to the discretion of the Reichsbank to determine when (if ever) transfer into foreign currency should be made from the funds of the Konversionskasse. Immediate threats of retaliatory measures by foreign countries brought a partial payment of interest charges in foreign exchange and in "scrip" which were sold at a substantial discount. However, after 1 July 1934, a complete transfer moratorium was put into effect and no more foreign exchange transfers for payment of interest and amortization took place, as funding bonds were offered the foreign creditor as payment. This was an arrangement made by the Reichsbankdirektorium under the leadership of Schacht.

The devaluation of the currencies of other leading countries increased the difficulties of Germany's foreign trade position. Earlier the Bruening Government had decided not to devalue the RM because it felt itself bound to the international agreements on which the German currency was based, and it was unwilling to violate these international agreements. These deflationary policies did not prove popular with the German people and the leadership of the German Government passed successively from Bruening to von Papen, to von Schleicher and to Hitler. Von Papen



H1228-0134

and von Schleicher, who held office briefly, did not devalue the RM officially. Hitler too refused to devalue the RM officially through fear that such a move would cost him the support of the German people, who had a deadly fear of inflation and who believed that devaluation meant inflation.

Von Papen, von Schleicher and Hitler created employment through public spending on autobahns and other public works. When the effect on employment of this public spending for public works had reached its peak the Hitler regime reintroduced German conscription and initiated an accelerated rearmament program which resulted in full employment and a business "boom". As a result of these activities, Germany's price level rose and this rise handicapped her exports. The German demand for imports increased sharply as the accelerated rearmament program got under way. The drop in exports, the urgent need for imports for rearmament and Germany's lack of foreign exchange reserves made it necessary for her to devise a method to pay for the needed imports.

Under the leadership of Schacht, increased use was made of the device of blocked accounts to provide marks, some of which could be used for partial payment of imports. These marks were sold at substantial discounts and the losses represented by these discounts were taken by the foreign creditors to whom these marks belonged.

These blocked mark balances were held by foreign creditors with German banks. Because they were blocked, their owners were unable to convert them into foreign currencies through normal channels. These blocked balances were frequently traded outside of Germany as special kinds of mark exchange and these different kinds of marks sold at varying discounts which at times exceeded 50%. Schacht as Minister of Economics influenced the rates on these various kinds of marks by decrees and regulations extending or narrowing the range of their use.



H1228-0135

Schacht in his dual capacity as president of the Reichsbank and Minister of Economics developed measures which he announced under the title of the "New Plan" to broaden the control over the German economy. It provided totalitarian controls over devisen and commodities. The program under the "New Plan" put Germany's foreign trade largely on a barter basis. Schacht, by these measures, sought to restrict the demand for foreign exchange and to increase its supply. He was successful in restricting the demand for foreign exchange by various measures suspending the service on Germany's foreign indebtedness, by freezing other claims of foreigners on Germany, by a stringent system of import controls and by eliminating foreign travel and other unessential foreign expenditures.

To increase the available supply of foreign exchange, Schacht repeatedly requisitioned all existing foreign exchange reserves of German residents, required all foreign exchange arising out of current exports and other transactions to be sold to the Reichsbank and by developing new export markets. Exports were encouraged by direct subsidies and by accepting partial payment in German foreign bonds or in restricted marks which could be acquired by foreign importers at a substantial discount.

Schacht actively developed barter with foreign customers and "clearing agreements" with foreign nations. Under Schacht's leadership Germany was quite successful in developing her foreign trade by these methods in Latin America and in south-eastern Europe. He cleverly exploited Germany's bartering power in driving down import prices and raising export prices and, in some instances, securing credits from weaker countries which were subsequently used for imports from Germany.

The clearing agreements were primarily for the purpose of obtaining raw materials for armament and food and export industries.

Where clearing and payment agreements between Governments or central banks were not used, the foreign exporters were often paid in



H1228-0136

mark balances called Aski marks, which they had to sell to the importers of German goods in their country. These marks sold at a substantial discount. Up to the end of 1938 clearing and payment agreements with over 40 countries had been concluded by Germany, and German foreign trade was dominated by this system. The share in Germany's export trade of countries using these methods exceeded eighty per cent in 1938.

An elaborate organization was developed to supervise and control this system. The Reichsbank, the Deutsche Gold Discount-bank and Verrechnungskasse and the Reichswirtsschaftsminister were all involved in this supervision and control, and the last named operated through the Uberwachungsstellen (supervisory boards) and devisenstellen (foreign exchange control offices). The Reichbank in addition to its monopoly in foreign exchange transactions carried out the "stand-still" agreements and administered the Konversionkasse and the Verechnungskasse (clearing bank). The heart of the system was the Reichswirtsschaftsminister and his agencies in the supervisory boards and the foreign exchange control offices. The supervisory boards issued licenses for imports and separate boards were set up for specific commodities or commodity groups. The boards were assisted by customs officials and thousands of officials were involved in providing the tight controls which were instituted under Schacht's leadership.

This control enabled the Reich to favour the import of raw materials for armament and to select raw materials for the export industries which could produce required foreign exchange.

I understand the English language.

(Signed) Puhl

Sworn to before me this seventh day of November 1945 at Frankfurt, Germany.

(Signed) Edward A. Tenenbaum

0-870114
1st. Lt. AC.



H1228-0137

H1228-0138

Exhibit USA 646
Filed Jan. 11, 1946

DOCUMENT NO. EC 438
OFFICE OF U.S. CHIEF OF COUNSEL

AFFIDAVIT OF EMIL PUHL.

I, Emil Puhl, make the following deposition under oath:

I was a director of the Reichsbank during the entire period of Dr. Schacht's presidency of the Reichsbank from the years 1933 to 1939.

1. With respect to financing of armaments through the Reichsbank, although Mefo financing was stopped as of April 1, 1938, it is clear that the Reichsbank continued indirectly to help Hitler's armament program. This may be seen from the fact that the bank increased its portfolio of Inlands Wechsel, including of course commercial paper, from 5.8 billion RM in January 1938 to 7.9 billion RM on December 31, 1938. While I do not have the exact figures a good deal of this increase took place between April 1, 1938 and December 31, 1938. This increase in the holding of internal bills was made by a proportionate increase in the bank note circulation, which rose from 5.6 billion RM on April 1, 1938 to 8.2 billion RM on December 31, 1938. Thus, in effect, by continuing to increase the bank note circulation and by absorbing bills which were paid for by this means the Reichsbank was really making that much more credit available to the armaments program. This was clearly understood by all concerned.

2. There was a great increase in armaments during 1938 and this accounted for a certain amount of the increased note circulation. Thus, the bank note circulation rose by about 2.6 billion RM, that is from 5.6 to 8.2 billion RM from April 1, 1938 to December 31, 1938. A large amount of this increase was due to the pressure on the Reichsbank to discount mefo bills held in portfolios outside the Reichsbank. There is no question that the Reichsbank under Schacht during the year 1938 resorted to inflationary practices which aided rearmament. Since the Reichsbank had to meet the pressure of the money market resulting from the tendering for discount of large amounts of mefo bills automatically the bank note circulation was increased to meet the requirements.

H1228-0139



3. It was understood at the beginning that mefo bill financing could be used only to the point where full employment and production were achieved. When full employment was reached it was clear to all that a further credit expansion in itself would not result in increased production. Simultaneously when such a point would be reached it was expected that the rise in the national income would provide sufficient taxes and savings for public loans to finance armaments from the budget. In the judgment of a number of directors of the Reichsbank, and this was the subject of discussion in the Board, this point had been reached a year or two before mefo financing was stopped. When Schacht promised Hitler another 3 billion RM for financing mefo bills in early 1937 the Reichsbank Directorate was quite worried. The arrangement was made by Schacht with Hitler without prior agreement of the Board of the Bank which knew of the arrangements only after Schacht reported that he had made the agreement with Hitler. The feeling of members of the Reichsbank Board at that time was that further armament financing should be done through the budget, mostly by an increase of taxation.

4. The high amount of mefo bills held by the Reichsbank was always considered risky, and, particularly as, in times of financial stringency, the bills outside the Reichsbank might be presented for discount and require an increase in the note circulation and so lead to inflation. Mefo financing was an entirely risky proposition. The hope was that some day there would be a balancing of the budget and a provision for the repayment of these bills without resorting to new credits. It did not, however, work out that way. When Schacht saw that the risky situation which he had sponsored was becoming insoluble he was more and more anxious to get out. This desire to get out of a bad situation was for a long time the leitmotif of Schacht's conversation with the directors of the bank. He also suggested to give a warning signal to the Government against inflation.

I understand the English language.

Puhl

Sworn to before me this eighth day of November 1945 at Frankfurt, Germany.

Edward A. Tenenbaum
0-870114
1st Lt. AC.

COPY OF DOCUMENT NO. EC.439
OFFICE OF U.S. CHIEF OF COUNSEL

Exhibit USA 618
Filed Jan. 10, 1946

# AFFIDAVIT OF GEORG VON SCHNITZLER.

I, Georg von Schnitzler, a member of the Vorstand of I.G. Farben, make the following deposition under oath:

At the end of Fecruary 1933, 4 members of the Vorstand of I.G. Farben including Dr. Bosch, the head of the Vorstnad, and myself were asked by the office of the president of the Reichstag to attend a meeting in his house. The purpose of which was not given. I do not remember the two other colleagues of mine who were also invited. I believe the invitation reached me during one of my business trips to Berlin. I went to the meeting which was attended by about 20 persons who I believe were mostly leading industrialists from the Ruhr.

Among those present I remember:

Dr. Schacht, who at that time was not yet head of the Reichsbank again and not yet Minister of Economics.

Krupp von Bohlen, who in the beginning of 1933 presided the Reichsverband der Deutschen Industrie which later on was changed in the semi-official organization "Reichsgruppe Industrie".

Dr. Albert Vogler, the leading man of the Vereinigte Stahlwerke.

Von Lowenfeld from an industrial work in Essen.

Dr. Stein, head of the Gewerkschaft Auguste Victoria, a mine which belongs to the I.G. Dr. Stein was an active member of the Deutsche Volkspartei.

I remember that Dr. Schacht acted as a kind of host.

While I had expected the appearance of Goring, Hitler entered the room, shook hands with everybody and took a seat at the top of the table. In a long speech he talked mainly about the danger of communism over which he pretended that he just had won a decisive victory.

He then talked about the "Bundnis" (alliance) into w hich his party and the Deutsch - Nationale Volkspartei had entered. This latter party in the meantime had been reorganized by Herr von Papen. On the end he came to the point which seemed to me the purpose of the meeting. Hitler stressed the importance that the two aforementioned parties should gain the majority in the coming Reichstag election. Krupp von Bohlen thanked Hitler for his speech. After Hitler had left the room, Dr. Schacht proposed to the meeting the raising of an election fund of - as far as I remember - RM 3.000.000. The fund should be distributed between the two "Allies" according to their relative strength at the time being. Dr. Stein suggested that the Deutsche Volkspartei should be included which suggestion when I rightly remember was accepted. The amounts which the individual firms had to contribute were not discussed.



H1228-0140

H1228-0141

I did not take part in the discussion but reported the matter the next day or the overnext to Dr. Bosch in Frankfurt who together with Geh. Rat Schnitz had reserved exclusively for themselves the handling of distribution of money to political parties, the press etc. and had made a special appoint of "Vertraulichkeit" (secrecy) in this respect.

Dr. Bosch did, as far as I remember, not make any remark to my report, but shrugged his shoulders.

I never heard again of the whole matter but I believe that either the buro of Goring or Schacht or the Reichsverband der deutschen Industrie had asked the office of Bosch or Schnitz for payment of I.G.'s share in the election fund. As I did not take the matter up again I not even at that time knew whether and which amount had been paid by the I.G. According to the volume of the I.G. I should estimate I.G.'s share being something like 10% of the election fund, but as far as I know there is no evidence that I.G. Farben participated in the payments.

I understand the English language.

G. von Schnitzler

Sworn to before me this 10th day of November 1945 at Frankfurt, Germany.

Otto P. Stroubel ?
2nd. Lt. Inf.

Exhibit No. 629
Filed Jan. 11, 1946

EC-450

H1228-0142

STATE OF NEW YORK, )
) SS.:
COUNTY OF NEW YORK, )

S.R. FULLER, JR., being first duly sworn according to law, deposes and says:

1. This affidavit has been prepared and executed at the written request of Lt. Col. John W. Griggs, Officer in Charge, Office of U.S. Chief of Counsel for Prosecution of Axis Criminality, Room 4E-869, The Pentagon, Washington, D.C. The letter of request from Lt. Col. Griggs, dated October 8, 1945, reads as follows:

> "In accordance with the conversation of 6 October 1945 between you and Captain Conkling of this office, there is inclosed a photostatic copy of 'Enclosure B' of your memorandum to President Roosevelt, dated 11 October 1935.
>
> "It is requested that you attach a signed affidavit to the inclosed photostat to the effect that it is a true account of your conversation with Dr. Hjalmar Schacht on 23 September 1935 and return the affidavit and photostat to this office."

2. The attached photostat, marked "Enclosure B", referred to in Lt. Col. Griggs' letter of October 8, 1945, above quoted, is a true copy, except for marginal numerals and the word "Hitler" on page 6 margin, of a memorandum of conversation between Dr. Hjalmar Schacht and me, which took place 23 September 1935 in Berlin.

3. The original memorandum was sent as "Enclosure B" with a confidential report from me to President Roosevelt, dated 11 October 1935. As I advised the President in this report, the transcription of the conversation recorded in "Enclosure B" is not word for word accurate; but it was made from longhand notes written by me immediately after the

H1228-0143

conversation, and is substantially word for word accurate, and is exactly accurate as to meaning.

S.R. Fuller, Jnr.

SUBSCRIBED AND SWORN TO BEFORE ME THIS 18th DAY OF OCTOBER, 1945.

Alfred M. Reed
Notary Public.

Alfred M. Reed,
Notary Public, Westchester County
Certificate filed in
N.Y. Co.,CLK's No.830, Reg.No.S39-R-6
Commission Expires March 30, 1946.

Memorandum of conversation between Dr. Hjalmar Schacht, Minister of Economics and President of the Reichsbank of Germany, and S. R. Fuller, Jr., 23 September, 1935, 2:30 p.m. to 3:30 p.m. at the American Embassy, Berlin.

The conversation took place in a library of the U. S. Embassy after a luncheon given for us by Ambassador Dodd at which were present, among others: the Danish Minister; a representative of the German Foreign Office; First Secretary of the U. S. Embassy and Mrs. Flack; Ambassador and Mrs. Dodd; Mr. Geist, acting U. S. Consul General in Berlin; Mrs. Fuller; Dr. and Mrs. Schacht.

Before luncheon Mr. Dodd told Dr. Schacht privately, but in my presence, that the President desired that I speak to Dr. Schacht. It was thereupon arranged that immediately after luncheon Dr. Schacht and I would retire to one of the Embassy rooms alone. After luncheon we did so.

F. "The President is desirous of knowing whither Europe, and especially Germany, is heading. What is her end? It is recognised, of course, that you can speak frankly, or you need not; and I can do the same. However, our world is in chaos; and somebody must use sense."

S. "Somebody must, Mr. Fuller."

F. "Else we shall all kill each other or be killed by others."

S. "Yes, it is true. I hope we may speak frankly. I will. And I would like you to understand that in so doing we can keep to ourselves such part of our conversation as we may agree upon."

F. "We can discuss that before we part to what I am sure will be an understanding."

S. "Speaking of Germany, what is it you wish to know of her ends? Do you mean her political, her economic, or her moral ends?"

F. "Are not the economic and political ends interwoven?"

S. "Yes--of course, they are. Let me give you first the Germans present background then. The defeat of Germany at the end of th war left our people with their morale broken. The chaos of the war was political, economic, and moral. This man (meaning Hitler) set about fir to raise the moral standard of the nation. That is why I think him a great man; he has raised the moral standard of his people.



H1228-0144

H1228-0145



S. "I am a great admirer of Mr. Roosevelt. In many respects your problems and Germany's are the same. In both countries, unhappiness of the poor has occurred; their unrest has been obvious. In both countries, laws have been enacted to help the poor.

"But to get back to Germany, we do not want a socialistic state where all impulses of development come from the government and individual initiative is non-existent or stifled. That is not Hitler's idea at all. Nor do we want a free and untrammeled permission given to every man to get all he can regardless of to what extent the state or other individuals may be hurt by his so doing. In the days before machinery, the great land owners might have exploited the people with some reasonable safety and justice -- I am not sure. But today it has been demonstrated that this cannot be done. Hitler has put justice to all before the people as the first duty of the state and of the German citizen. He wants the individual effort of the citizen to be the impulses of the state, but with laws for the guidance and safety of all so that none will be hurt by these individual efforts. He is accomplishing this. He has reached his present position through the free votes of the people in the most democratic way. He does not want to be a dictator through force of arms.

"Because of the international character of Jews and Roman Catholics, the Jews and Roman Catholics have been a domestic problem throughout history in many states, as you of course know. This is sometimes not appreciated or is forgotten by countries where these problems are not for the moment immediate. In Germany they have been very great."

F. "But Germany's treatment of the Jews is resented greatly by many countries; especially is there resentment in the United States. How many have you in Germany, 500,000?"

S. "Yes."

F. "Have you not, therefore, by your treatment of them made 500,000 martyrs?"

H1228-0146



S. "I never was in favor of our treatment of the Jews, but the new laws announced at Nuremberg give protection to the Jews. They are now guaranteed the same rights as any other minority within Germany, such as Poland, for example."

F. "But they are denied the rights of citizenship."

S. "Yes."

F. "And their positions by these laws is an inferior one to the Germans?"

S. "Yes,that must always be. I called Mr. Warburg in to see me the other day and explained to him the protection Germany now guarantees to Jews: they can engage in their businesses from now on, and they can go about their business and will have proper governmental protection. I told Mr. Warburg to have his people stop making a noise and accept this protection."

F. "But if he can't stop them from making a noise and the Jewish people do not accept the inferior position given them in Germany with equanimity, what then?"

S. (Dr. Schacht made a wry face and shrugged his shoulders) "I don't know what may happen then."

F. "These restrictive laws refusing citizenship apply to the 100% Jews. What about the 50% and 25% Jews?"

S. "They will be gradually eliminated because of the law against intermarriage with gentiles or extra marital relations with gentiles."

F. "Your economic situation appears to me to have some serious aspects to it."

S. "Undoubtedly. But we have reduced unemployment: by government work, I'll admit. We have been and are employing many in the manufacture of munitions."

F. "You can't continue making munitions indefinitely unless they are consumed."

H1228-0147



S. "That is true."

F. "Food prices are high and rising in Germany."

S. "That is true. Of course, we have internal problems because we can't get sufficient raw materials. We haven't foreign exchange; therefore, Mr. Fuller, we must create a German world of the mark wherein we can produce our necessary raw materials; we cannot be so dependent upon others as we are now for our necessary raw materials. We must create a German world of the mark wherein the mark will purchase them and wherein our excess population can find satisfactory work. We intend to do this. We must have colonies."

F. "Can you get them through negotiation?"

S. "We have already had preliminary talks with Great Britain and France, but no formal negotiations as yet."

F. "When you have produced all the munitions you require, what will become of those thrown out of employment thereby?"

S. "Our colonies."

F. "You mean you will send them to the colonies?"

S. "Yes."

F. "But suppose you cannot get such territory through negotiation?"

S. "Colonies are necessary to Germany. We shall get them through negotiation if possible; but if not, we shall take them."

F. "You mentioned a little while ago that your necessary raw materials could not be obtained through German lack of foreign exchange. Would stabilization help you?"

S. (Dr. Schacht's face lighted up) "Ah, stabilization! Of course, it would. I am in favor of stabilization. Germany wants it greatly, but England opposes it. She won't have it."

F. "Why does England oppose stabilization?"

H1228-0148

S. "To squeeze Americans for one thing; to give England cheaper money for another. I believe all others want stabilization. You want it. Forgive me for advising you, but I would suggest, if the United States wants stabilization, that they let Leon Frazier and Jimmy Perkins, or Leon Frazier and anyone else, go to the Bank of England and start negotiations. Leon Frazier has the confidence of Germany, France, and England."

F. "You mean the confidence of the financial people."

S. "Exactly. You don't mind my giving you this advice?"

F. "Not at all. Say anything you wish."

S. "Leon Frazier has the confidence of all in Europe. That is a great deal to say of one man; and he is most effective."

F. "You think that stabilization could be accomplished easier than if negotiations were started with the Bank of England than with the English Government?"

S. "Yes. The English Government will follow the lead of the Bank of England. If an attempt is made to get stabilization, I assure you Germany will do her cooperative part. Germany wants to pay her debts; she will pay them as soon as a stabilized exchange is reached."

F. "Can stabilization really be negotiated now with the European situation as it is: I mean with the Italian-Abyssinian dispute in the state that it is in?"

S. "Perhaps not concluded, but negotiations can be begun. Get Leon Frazier and any other good man."

F. "Can you hold the German mark where it is?"

S. "Yes: because we control our exchanges."

F. "Can you hold the mark regardless of what the other gold countries may do, even if Holland and/or France go off the gold standard?"

S. "Yes."

F. "For how long?"

H1228-0149

S. "Indefinitely."

F. "By that you mean until you have worked out your present domestic problems, both agricultural and industrial?"

S. "Yes, until we have completed a German world of the mark where our raw material necessities can be produced and our excess workmen can be employed: a German world of the mark."

F. "Some foreigners feel that you are in danger of falling from power. They note the battle between Goebels and Streicher on the one hand, and you and the army on the other."

S. "The army is the Leader's."

F. "Yes, I understand; but ---"

S. "I will not fall. To maintain oneself in power, one always must be conservative."

F. "And you are conservative?"

S. "I am conservative, and the army is always conservative."

F. "Where will Hitler stand? Will he stand with the army?"

S. "Without a doubt."

F. "Will the army be with him?"

S. "Without a doubt. (Dr. Schacht spoke very forcefully and earnestly) Hitler is necessary to the German people. The German people are 95% for Hitler. They may disagree as to the regime which surrounds him, but they want and need Hitler."

F. "To repeat, does the army really want him?"

S. "Without a doubt. Hitler is a necessity to them and to Germany."

F. "Is Hitler turning toward the conservative side?"

S. "Without a doubt. A statesman must be conservative to stay in power."

F. "Nuremberg (meaning the annual meeting of the Nazi Party in Nuremberg, just completed) looked like a turn to the left."

S. "Oh, No--! (spoken tragically)

H1228-0150

F. "But what about the radical speeches at Nuremberg spoken by Hitler?"

S. "In front of 500,000 people one must always talk radically; must always give the mass something new. One cannot say to a mass: 'Be quiet; be careful; save money, and all will be right.' Have no fear of Hitler. He knows well how to play that piano."

F. "What of this conversation do you wish me to tell the President?"

S. "Everything. You can tell the President everything I have said."

F. "Is there any other message you wish me to give to the President?"

S. "Yes." (enthusiastically) "I want that treaty renewed with the most favored nation clause in it."

F. "But I understood that you did not want the most favored nation clause in it."

S. "Didn't I? Perhaps I didn't, though I seem to remember something of the kind. I will look it up and write you a note. Where will you be tomorrow?"

F. "I am leaving for London tonight."

S. "Will you give me your address?"

F. "The Langham Hotel, London."

S. "I want that treaty very much, Mr. Fuller, please tell your President that I want it very much. It expires October 13th. It will not do for us to be without a treaty if it can possibly be avoided. I have sent two men to America now to see if our two countries cannot trade together. If their preliminary reports to me show a chance for our two peoples to really do something together, I, myself, will gladly go to America if it is necessary."

H1228-0151

Exhibit USA 626
Filed Jan. 11, 1946

Copy of Document No. EC-451
Office of U.S. Chief of Counsel

Affidavit of George S. MESSERSMITH.

District of Columbia )SS
United States of America)

GEORGE S. MESSERSMITH, being first duly sworn, deposes and says :

During the years 1930 to 1934, when I was American Consul General in Berlin, I knew Dr. Hjalmar Schacht very well. I had frequent contact with him. My official duties brought me into frequent contact with him as head of the Deutsche Reichsbank and as Minister of Commerce, and on such occasions and in numerous private conversations he discussed with me the aims and activities of the Hitler regime.

It must be stated in this connection that Dr. Schacht was a man of extraordinary capacities in the financial field and of extraordinary resourcefulness. He was, however, at the same time an extraordinarily egotistic and vain man. There is no doubt that he nourished the ambition of becoming president of Germany, and it was his hope in aiding the industrialists and financiers in Germany in bringing the Nazi Party into power that these elements, instead of the Nazis, would control in fact, and that he would be the President of Germany.

Dr. Schacht always attempted to play both sides of the fence. He told me, and I know he told both other American representatives in Berlin and various British representatives, that he disapproved of practically everything that the Nazis were doing. I recall on several occasions his saying, after the Nazi Party came into power, that if the Nazis were not stopped, they were going to ruin Germany and the rest of the world with it. I recall distinctly that he emphasized to me that the Nazis were inevitably going to plunge Europe into war.

While making these protestations, he nevertheless showed by his acts that he was thoroughly an instrument of the whole Nazi program and ambitions and that he was lending all his extraordinary knowledge and resourcefulness towards the accomplishment of that program. It was his financial ability that enabled the Nazi regime in the early days to find the financial basis for the tremendous armament program and which made it possible to carry it through. If it had not been for his efforts, and this is not a personal observation of mine only but I believe was shared and is shared by every observer at the time, the Nazi regime would have been unable to maintain itself in power and to establish its control over Germany, much less to create the enormous war machine which was necessary for its objectives in Europe and later throughout the world.

The increased industrial activity in Germany incident to rearmament made great imports of raw materials necessary while at the same time exports were decreasing. Yet by Schacht's resourcefulness, his complete financial ruthlessness, and his absolute cynicism, Schacht was able to maintain and to establish the situation for the Nazis. Unquestionably without this complete lending of his capacities to the Nazi Government and all of its ambitions, it would have been impossible for Hitler and the Nazis to develop an Armed Force sufficient to permit Germany to launch an aggressive war.

In my opinion Schacht was in no sense a captive of the Nazis. He was not compelled to devote his time and his capacities to their interest. His situation was such that he would most likely have been able either to

H1228-0152



work on a much less restrained scale or to abstain from activity entirely. He continued to lend his services to the Nazi Government out of opportunism.

/s/ G.S. Messersmith

Subscribed and sworn to before me,

A Notary Public,

James S. Regan,

in Washington, D.C., this 15th day of November, 1945.

Exhibit USA 619
Filed Jan. 10, 1946

OFFICE OF U. S. CHIEF OF COUNSEL
TRANSLATION OF DOCUMENT NO. EC 457

The President of the Reichsbank (in retirement).

Dr. HJALMAR SCHACHT.

Guhlen Post Lindow (Mark),
29 th August 1932.

Dear Herr Hitler,

May I hope, that you will allow me to use this form of addressing you, since the only purpose of my letter is to assure you of my unchanging sympathy in these times of great trials. I realise, that you are not in need of consolation. The rise to a total of 14 million votes cast for you, the perfidious counterblow by the other - theoretically stronger- side, and the loss of the votes of political profiteers, all these are things which could not seriously surprise you. But what you could perhaps do with in these days, is a word of most sincere sympathy. Your movement is carried internally by so strong a truth and necessity, that victory in one form or another cannot elude you for long. During the time of the rise of your movement you did not let yourself be led astray by false gods. I am firmly convinced, that now, when you are forced into a position of defence for a short time, you will likewise resist the temptation of an alliance with false idols. If you remain the man that you are, then success cannot elude you.

You know, that I do not intend to give you any tactical advice, since I admit absolutely to your superiority in this subject. But perhaps as an economist I may say this; if possible, do <u>not</u> put forward any detailed economic program. There is no such program on which 14 millions could agree. Economic policy, is not a factor for building up a party, but at best collects interest. Moreover, economic measures vary with time and circumstances. It merely depends on the <u>spirit</u> out of which they are born. Let this spirit be the deciding factor.

Wherever my work may take me to in the near future even if you should see me one day <u>within</u> the fortress - you can always count on me as your reliable assistant.

I felt the need of writing the above to you, as in our time so few understand, that everything depends on the inner strength.

With a vigorous "Heil",
(signed)
Hjalmar Schacht

CL / ACF.

C 002669
C 002670

C 002673

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CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. EC 457

1. December 1945

I, LEO LOEB, Civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document No. 457

LEO LOEB

H1228-0153

Exhibit USA 634
Filed Jan. 11, 1946

COPY of Document No. EC-458
Office of U.S. Chief of Counsel

## Affidavit of Major Edmund Tilley

Major Edmund Tilley, being duly sworn, deposes and says :

1. I am a major in the British Army and have been assigned to Field Information Agency, Technical. In my official capacity I had an interview with Dr. Hjalmar Schacht, former President of the Reichsbank and former Minister of Economics, on 9 July 1945, at an Internment Centre in the vicinity of Frankfurt.

2. During the course of the discussion Schacht stated to me that he had had numerous talks with Hitler from 1933 to 1937. Schacht stated that from these talks he had formed the impression that in order to make his hold and Government secure the Fuehrer felt that he must present the German people with a military victory.

3. The above statement is based on my recollection of the conversation and also on my notes made contemporaneously.

(Signed) Edmund Tilley
Major

Sworn to before me this 21st day of November, 1945

(Witnessed) T.G.S. Combe
Major.

H1228-0154

EC 460

Exhibit USA #617
Filed Jan. 10, 1946

TRANSLATION OF DOCUMENT EC 460
OFFICE OF US. CHIEF OF CUONSEL

Franz Reuter "Schacht" S.113, 114.

.. strong personality, inspired with national German passion which indeed has to merge with the great movement, whose extraordinary abilities and experiences in turn mean a strenghtening for others, he joins the national movement. By word and deed and through the effect of his personality on the inner circles and the people whom he is able to influence - and among them are the best of the nation - Schacht from now on becomes a conscious helper of the National Sozialist movement and one of those, who take valuable part in its final victory. For him, who, by his struggle as the President of the Reichsbank already belonged to the movement for a long time and who sacrified for it his office by maintaining his principles, corresponding to those of the movement, his becoming a regular member certainly is only a question of secondary importance. By not doing so - at least, until the final assertion and victory of the Party - he was able to assist it (the Party) much better than he would have been able to do had he become an official Party member.

I, Annemarie C. Catlin, hereby certify that I am throughly conversant with the German and English languages and that the above is a true and correct translation of Document No. Ec 460.

Annemarie C. Catlin

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H1228-0155

From WCA 58 Read Jan 11, 1946

EXCERPTS from Document No.EC-461
Office of the U.S.Chief of Counsel

EXCERPTS from Ambassador Dodd's
Diary 1933-1938 edited by William E. Dodd
Jr. and Martha Dodd with an introduction by
Charles A. Beard. Victor Gollancz Ltd., London, 1941.

Pages 175 to 177

September 19, Wednesday: I called on Dr. Schacht, on request of our Secretary of State at 11 o'clock. He was very cordial. When we had greeted each other, I said very frankly that the relations of our two countries could hardly improve so long as everybody in the United States was convinced that Germany was making ready to precipitate another war. What good can I do in Berlin if all Germany is moving towards a world or European conflict? If I am to fail here, would it not be better to return home and stay? He was a little stunned and replied: "You must not retire; it would do harm". But what can one, of my way of thinking, do in a country where the atmosphere is so disagreeable?

He then said: "All the world is combining against us; everybody is attacking Germany and trying to boycott her". Yes I replied, but you know the way to stop such things is not to arm to the teeth. If you went to war and won, you would lose more than you could gain. Everybody would lose. When he declared that the Germans are not arming so intensively; I said: Last January and February Germany bought from American aircraft people $1,000,000 worth of high class war flying machinery and paid in gold. He looked embarrassed and was about to deny it, but as he saw I was going to produce a document, he said: "Yes, I suppose you know all about it, but we must arm".

He then acknowledged that the Hitler Party is absolutely committed to war, and the people, too, are ready and willing. Only a few government officials are aware of the dangers and are opposed. He concluded: "But we shall postpone it ten years. Then it may be we can avoid war".

I reminded him of his Bad Eilsen speech some two weeks ago and said: I agree with you about commercial and financial matters in the main. But why do you not, when you speak before the public, tell the German people they must abandon a war attitude? He replied: "I dare not say that. I can only speak on my special subjects."

How, then, can German people ever learn the real dangers of war if nobody ever presents that side of the question? He once more emphasized his opposition to war and added that he had used his influence with Hitler, "a very great man", he interjected, to prevent war. I said: The Germanpapers printed what I said at Bremen about commercial relations between our countries, but not a word about the terrible effects and barbarism of war. He acknowledged that and talked very disapprovingly of the Propaganda Ministry which suppresses everything it dislikes. He added as I was leaving: "You know a party comes into office by propaganda and then cannot disavow it or stop it."

On my return to the Chancery, I left my car standing near the Brandenburger Tor and walked into the British Embassy on the Wilhelmstrasse. Sir Eric Phipps was in his office and I talked fifteen minutes about the accumulating evidence in our office of Germany's intense war activity. His consular officials seem not to have given him information we have received from ours, especially from Stuttgart and Munich. He pretended to be surprised when I gave him the facts about German purchases of aircraft from the United States in the last six months.

I also let him know that Schacht had acknowledged to me the war purposes of the Nazi party. My talk with Phipps was confidential and preparatory to future conversations with him if President Roosevelt tries again to bring American arms manufacture under government control. My

H1228-0156

H1228-0157

hope was to enlist him in a move to persuade his government to set up an investigation like that of Senator Nye, now causing so much excitement in all countries. Although I knew England had protested against this exposure of the corrupt practices of its arms and manufacturers, I bluntly alluded to the good effects of the Nye exposures. He agreed, though he did not indicate a desire to say anything further. The arms manufacturers over the world are the cause of most of this trouble in Europe.

At 2.30 I went as guest of the Foreign Office to the Kroll Opera House to hear discussions of the great road work now going on in Germany. A number of Germans were present, as also the English and French Ambassadors. It turned out to be merely an occasion for Von Neurath to explain German foreign policy, "and peaceful purposes. The Fuehrer desires peace above all else". The idea was to explain Germany's attitude towards Russian admission to the League and the forthcoming plebiscite in the Saar Territory where the people are to decide January 11, I believe, whether they will return to the fatherland or remain under League of Nations rule.

All the members of the diplomatic corps were present and remained in their places until Von Neurath had finished. When the translator began to give English translations, the British and French Ambassadors retired. A little later the Italian and I left. We had had enough of it. Von Neurath was not bad, but no one believed his assertions about the peace purposes of the present regime.

Pages 446 and 447

December 21, Tuesday: At a luncheon given us today as a farewell by Dr. Schacht, conversations were as free and critical as I have ever heard in Germany. Dr. Schacht's removal from his directorship of Economics Ministry may be taken as one cause. But the head of the International General Electric Company here as well as others from banks and industrial plants were even more outspoken. They were most fearful of the Hitler regime. One thing which worried the electric company chief was the order by Hitler to give up his great administrative building which represents a 10,000,000 mark investment for the company. The company is to be allowed only 6,000,000 marks. He said he told Hitler's official spokesman: "Then I will leave Germany and settle in eastern France". What Hitler said when told this was not stated, but it is clear enough that the electric man would be imprisoned if he tried to leave Germany.

Schacht spoke of the defeat of Germany in 1918 as wholly due to Woodrow Wilson's bringing America into the World War. But I said: Wilson's Fourteen Points were the one great promise of international peace and co-operation and every country on both sides had helped to defeat his purpose. Don't you think Wilson, fifty years from now, will be regarded as one of the greatest Presidents the United States has ever had? He evaded an answer but turned his attention to the Japanese-Chinese war and opposed Germany's alliance with Japan. Then he showed the true German attitude: "If the United States would stop the Japanese war and leave Germany to have her way in Europe, we would have world peace."

I did not comment and others also failed to make remarks. Schacht meant what the army chiefs of 1914 meant when they invaded Belgium, expecting to conquer France in six weeks: i.e., domination and annexation of neighbouring little countries, especially north and east. Much as he dislikes Hitler's dictatorship, he, as most other eminent Germans, wishes annexation - without war if possible, with war, if the United States will keep hands off. Much as I admire Schacht for some of his courageous acts, I am now afraid he would not make a good American if he migrated.

TRANSLATION OF DOCUMENT NO Ec-49
OFFICE OF U S CHIEF OF COUNSEL

REICH AND PRUSSIAN
MINISTER OF ECONOMY

(STAMP)
PRUSSIAN PRESIDENT OF
THE MINISTERIAL COUNCIL
CHIEF (illegb)
Rec'd. 18 May 1937

BERLIN W 8, the 17 April 19
Behrenstrasse 43

F i l e s ( pencil)

My Dear Mr. President of the Ministerial Council!

I have gathered from your kind communication of 12 April - St.M.Dev. 2218 - that you agree with me, that Germany should utilize to the full the export opportunities offering themselves at this time, in order thereby to secure above all the fulfillment of the food and armament requirements for the future. Hereby you aim at an increase of about 1 1/2 Billion Reichsmark in the export proceeds for the calendar year 1938. I am of the same opinion as you, that an increase in exports on this scale is necessary, if we are to succeed in decisively unburdening the German rawmaterial and foreign bills of exchange situation and thereby in securing the food and armament requirements for the future. I have already stated in my letter of 2 April, that conditions in the world markets allow for a considerable extension of German export. Whether an increase of the export proceeds of 1 1/2 Billion Reichsmark, i.e. an increase in exports of approximately 30% compared with the year 1936, will be possible, can naturally not be predicted with certainly.

TO PRESIDENT OF THE MINISTERIAL COUNCIL
GENERAL (GENERALOBERST) G O E R I N G
- COMMISSIONER FOR THE FOUR-YEAR PLAN -
BERLIN.

This does not depend solely on our ability to deliver and our willingness to deliver, but also on the further development of the state of business in the world as well as on the willingness and readiness of foreign countries to accept, whereby psychological and foreign-political factors play an importar part.

In order to utilize the present export opportunities, it is above all necessary, that the principle of the urgency of export trade, which unfortunate ly has been undermined in the last months, be given renewed attention. I welcome the fact, that you are prepared to use your authority in this direction and that you intend most emphatically to make the pursuance of those guiding principles which are to be set up for the export increase the special duty of all participants. For the discussion of this subject as proposed by which should indeed take place as soon as possible, I am sending enclosed a list of persons, whom it would be of practical importance to invite.

Furthermore the following measures should be taken:

a) The control offices are again directed under all circumstances to distribute the raw materials needed for export contracts. They are furthermore directed to favor, when possible, those firms dealing mainly with export trade also in regard to the raw materials distribution for the inland sector.

The same applies to those firms, which manufacture basic products (Vorprodukte) for the export trade. Firms especially engaged in export could perhaps be permitted to receive part of their export free (frei zu bekommen) for the purpose of making their own purchase of raw materials outside the jurisdiction of the control office, so that they can increase their export activity independent of raw-material difficulties. Thereby it can naturally happen, that at first a certain friction may arise in firms, which at present are primarily or exclusively occupied with the inland-market. However, these difficulties can be taken into the bargain, since they will later smooth themselves out of their own accord as a result of the steady increase in the volume of export. The examining offices for the export trade likewise are again directed to pay strict attention that , where at all possible, those export goods bringing a high price (lohnintensive) and not those requiring much raw material (Rohstoffintensive) be exported.

b) Those economic groups, whose production capacity is so much utilized by

H1228-0158

inland contracts, that there is no room or insufficient room for the carrying out of export contracts, are directed to maintain, that is, to provide the capacity necessary for the carrying out of export contracts. This can be accomplished by those economic groups, on whom I should levy appropriate taxes. At the present time this concerns the iron-refining and the wrought iron industry (iron and steel construction, construction of machines), the electric-industrial group and the motor industry, as well as the precision tool and optics group and the paper-manufacturing industry.

In all the remaining fields the question of capacity does not play a decisive role for the export trade. Here the question of export is generally a question of the apportionment of raw-materials and a question of the demand.

In order to reach a compromise between the competing interests of export on the one side and the Four-Year Plan and armament on the other in respect to the adjustment of capacity, representatives of the aforementioned fields of action should meet about once weekly, in order to decide those cases in dispute. The representatives would have to be equipped with such plenipotentiary powers that an immediate final decision is guaranteed. I, for my part, would make my Chief Consultant (Generalreferenten) Director of the Reichsbank Brinkmann available for this purpose. A representative of the War Economic Staff (Wehrwirtschaftsstabes), to be named by the Reich Ministry of war, and a representative of the Four-Year Plan should also be included.

d) Price-politically (preispolitisch) the same procedure will be followed as before, so that the best possible price will be secured for the German export goods. In the case of those export goods, which are touched by the state of business in the world, the extra-allowance will be cut further or completely suspended. In the case of those export goods, which now as before are affected by foreign price-pressur such cuts are not feasible for the time being. However, in order to reach here too the necessary increase of export proceeds through an increased export amount, it will be necessary to increase the extra allowance in many cases and indeed especially in regard to countries, from which we receive either foreign exchange bills in cash or raw-materials in which we are interested.

After the discussion planned by you has taken place it will be of practical importance to carry over your views regarding the urgency of the export increase into the whole German economy also. As it is not advisable to do this by way of radio or press because of probable counter-measures abroad, I should be pleased, if I could bring to the knowledge of all economic circles concerned by way of a circular decree, via the Reich Economic Chamber (Reichswirtschaftskammer), an exchange of letters between us, as yet to be agreed upon.

Heil Hitler!

Yours very truly

/s/ Hjalmar Schacht

H1228-0159

H1228-0160

Exhibit USA 642
Filed Jan. 11, 1946

TRANSLATION OF DOCUMENT NO. EC-493
OFFICE OF U.S. CHIEF OF COUNSEL

Prime Minister General Goering
Commissioner for the Four-Year Plan

Obersalzberg, 22 August 193[illegible]

St.M.Dev.5/34

Dear Mr. Reichsbank President !

To your letter of 5 August in which you make detailed statements on matters of principle regarding my activity in the Four-Year Plan I should like to reply today, the more so as your expositions require the correction of a number of individual points. I shall now state my point of view for this purpose. In accord with the comprehensive viewpoint contained in the "closing remarks" of the above-mentioned letter, I, too, am separating my reply into three sections: financial policy, foreign exchange policy, and production policy. I should like to emphasize here that, in my reply, I have only stressed the most essential things, and that I am really in a position to add many examples which would clearly show that, in many points, your letter does not state the actual facts completely or consistently. Thus, in my opinion, it is not supremely important whether things are carried out and measures taken because they belong to the proper functions of a ministry, but rather that this ministry has borne the actual initiative and has been the author of these measures. I can well imagine - and there are proofs of this -, that things have been done within the functions of a ministry, even though this ministry contribute little thereto, yes, was often even basically opposed to them. Yet I have omitted to give here such examples regarding your ministry since, in my answer, I care more about stressing matters of principle.

Page 2

To the
President of the Reichsbank, Dr. Schacht,
Reich and Prussian Ministry of Economics.

H1228-0161



## I. Financial Policy

Regarding your remarks about financial policy I can be relatively brief. I really do not see with what you want to reproach me in this regard because, in essential matters, I completely agree with your expositions and have up to now acted accordingly.

I give especial recognition to your achievements in the matter of financing the armament program. I further agree with you that an endangering of this policy by the question of wages must be avoided. My fundamental viewpoint regarding the wage question within the framework of the Four-Year Plan I have expressed, among other things, in a letter on 2 December 1936 (St.M. foreign exchange 1270) to the Reich Minister of Labor of which I enclose a copy. From the beginning of the Four-Year Plan I have also decisively opposed the
Page 3 "unregulated competition of the building and armament industries in the labor market", which you criticize. This purpose was especially served by the 2nd and 4th decrees for the execution of the Four-Year Plan (Deutscher Reichsanzeiger No. 262) which I issued on 7 November 1936. At that time the number of unemployed still amounted to more than a million. Now that, meanwhile, the number of unemployed has sunk to 1/2 million, and an undesired, wage-raising fluctuation of labor has recently set in, my authorized offices are making new efforts to check this development. The corresponding proceedings passing through the offices of the price commissioner and the compulsor war emergency employment (Geschaeftsgruppe Arbeitseinsatz) are quite in line with what you, too, believe to be the right thing.

I am glad, however, to acknowledge your cooperation in the matter of financing individual projects of the Four-Year Plan, for instance the increase in the production of mineral oil and the enlarging of the electrical service. The principle employed here and generally proclaimed by you, of relegating industry as much as possible to self-financing, I consider unreservedly correct. I have also instructed the office for German raw and synthetic materials accordingly, which since then has been operating as far as possible on this principle. Out of about 960 million RM the office has succeeded in raising something over 830 million RM by means of self-financing of industries; only to the amount of 8 million RM were subsidies granted
Page 4 If I have given to the "Hermann Goering" A.G. for the Mining of Ore and for Iron-works the form of Reich plants, this was done only to give the work of the company the necessary impressiveness and to

facilitate the work as much as possible. Financial participation of the private economy in question is by no means excluded thereby, but rather quite possible, yes, actually desired. Discussions on this matter are already taking place. The magnitud of the financial needs of the plants has not yet been established, so that the fears you have expressed in this regard are premature. In so far as claim has had to be laid to public funds, the matter has been discussed with the Reich minister of finance, who gave his consent. In the future I shall act likewise. Thereby I shall also come into touch with your ministry.

Concerning your pointing out of a development which, you believe, will end in inflation, I am naturally under the necessity of putting forth every effort to preserve the equilibrium of political economy and finance-politics. In so far as you work at these matters you may be completely assured of my cooperation, on principle. What importance I attach to questions relative to this matter may be seen from the fact that, within the frame-work of the Four-Year Plan, I requested the appointment of a price commissioner whose authorit would go considerably beyond that of the previous
Page 5 price control office. The results of his activity up to now you may see in the weekly report of the institute for research into economic cycles (Konjunkturforschung) of 14 July of this year in which to the figures of the week (Zahlen der Woche in the introductory remarks, after pointing out the price developments in the United States, Great Britain and France the following facts are added:

> "Compared to these the price movement in Germany distinguished itself through a remarkab le stability. Wholesale prices have been raised, during the past year, approximately 2 to the hundred and the standard living cost has risen only to the amount of 0.7 to the hundred. This stability of German price development is primarily a successful result of the comprehensive price policy."

## II. Foreign Exchange Policy.

My judgment of your expositions on foreign exchange policy, in which I find certain misconception and errors, is essentially different. The first point in your criticism is the claim that after the Fuehrer had assigned to me the carrying out of the Four-Year Plan, I had made one of my "first measures the seizure of foreign securities

H1228-0163



in the possession of Germans as well as the demand for speediest delivery of goods owed to Germany by foreign countries and the liquidation, in so far as was possible, of German investments abroad. Our chief aim, on the other hand, was to be the increase of native raw materials and the increase of foreign exchange receipts through exports." This claim is erroneous.

Page 6

I have handled the seizure of foreign exchange reserves since midsummer in 1936. If you figure my activity for the Four-Year Plan from the time of the Fuehrer decree of 18 October 1936, then I began to handle the foreign exchange reserves previously. Actually, however, the beginning of my work at the tasks of the Four-Year Plan dates back to the authority given me by the Fuehrer in April 1936 to take charge of the raw material economy and the foreign exchange economy. Looking at it this way, I only began to handle the foreign exchange reserves toward the last, that is, not until the moment when I had already taken all necessary measures for the promotion of export and the increase of production within the country. Yet I have always been aware of the connection between these three fields of assignment and of the sequence to be followed in attacking these problems The details of the matter developed as follows:

On 4 April 1936 I was assigned by the Fuehrer and Reich Chancellor to investigate and institute all measures required by the raw material and foreign exchange situation. After the first organizational preparations I began, as early as the beginning of May, to deal with the export question, first in the small ministerial council, soon also in larger meetings in which you and the other ministries involved as well as many economic representatives participated. In the course of these discussions in which the export question was thoroughly examined from the standpoint of principle as well as in all its details, an entire series of measures for the promotion of exports have been put in force of which some were based on suggestions made by yourself.

Page 7

H1228-0164



How much importance I attached to the export problem from the very beginning is also shown by the fact that I immediately called a special committee under the chairmanship of State Secretary Trendelenburg, retired, whose work-- which as far as I know is recognized without reservation -- on the inevitable repercussions of an adjustment of currency was exclusively caused by the German export interest. Besides this, still other programs were in progress in which, at my instigation, Professor Ernst Wagemann participated, among others, by drawing up an extensive memorandum about the problems of the German foreign economy.

Only when this work seemed completed for the time being and had shown that the tasks assigned to me could not be solved from the export angle alone -- I shall come back to this subject further on -- I turned to the foreign exchange reserves of the German national economy. In the meantime the Fuehrer too, in his memorandum on the Four-Year Plan drawn up shortly before the 1936 party rally (Parteitag), pointed out that an examination of the outstanding foreign exchange assets of the German economy abroad was to be undertaken immediately.

Page 8

That later in the course of the Four- Year Plan I supported your point of view on the export question, you, yourself, acknowledged elsewhere in your letter. I therefore need refer only briefly to my corresponding efforts. You know what role the consideration of exports continously played in the discussions about the fixing of iron quotas. The export quota, which was made as large as possible and which, in consideration of the present iron shortage, can, I daresay, be regarded as satisfactory, has never been curtailed and, as my deputy, the plenipotentiary general for the iron and steel economy, declared in a discussion held at your house on July 27 of this year, it will remain uncurtailed in the future. The meeting of May 5, which I called and at which I ordered the increase of the exports by about 1.5 billion in the calendar year 1938, is likewise still fresh in your memory. Finally, you will also recal the evaluation of this discussion by my letter of May 7 of this year, in which I founded the committee for the settlement of conflicting interests among Wehrmacht, Four- Year Plan, and exports, which has the special task of opening the way for exports, if necessary even by defering urgent

Page 9

home orders. I know that since taking over the Reich Ministry of Economics you have been successfully trying to promote exports; I cannot, however, recognize a criticism of my attitude toward exports. I can also clearly see the future export prospects and demands as well as the consequences which would follow a decrease in foreign exchange returns from exports. On the other hand, it is of no significance if some of my offices may once have taken an attitude not in accord with the general export policy. Isolated deviations from the basic line can never be fully avoided, in view of the differences in the tasks to be solved by the various offices, but they are not decisive for the total success of an action. The total success of the export policy can surely very well make a showing within the framework of the Four- Year Plan!

H1228-0165



If, besides the execution of all measures which may serve the expansion of exports, I also ordered the utilization of the foreign exchange reserves, I decided on this only after conscientious examination of all reasons pro and con. I could of course not assign any fundamental significance to the objection advanced by you, that with the dissolving of the reserves the interest on them is also lost; you yourself probably will not do so, if you visualize the volume and significance of this interest revenue. I

Page 10

have, however, asked myself seriously whether it is in fact advisable and justifiable to consume one of the last reserves of the German national economy even in the present situation. Decisive for the affirmative answer to this question was, in the last analysis, the realization that with the extension of German raw material synthetic production under the Four-Year Plan of the German economy I would open up new sources of supply, which some day will be able to replace foreign exchange reserves or contribute materially to the formation of new foreign exchange reserves. There was also the consideration that the reserves which a national economy possesses abroad -- as Germany has just learned from sad experience- can in part no longer be realized in serious political conflicts with these foreign countries, but are as a rule lost. If one wishes to make use of these reserves, one must utilize them before such conflicts arise. I had no other choice in the situation then existing than to draw on the foreign reserves immediately.

In the part of your statement entitled "Warnings" you say that you have long seen the dangers threatening from the scarcity of foreign exchange and have repeatedly informed the Fuehrer and Reich Chancellor of this.

H1228-0166



I do not doubt that, but must nonetheless state that an exact picture of the situation was first formed when at my instigation, through my office in close collaboration
P.11 with your Ministry, the first estimated foreign exchange balance was drawn that contained all the necessary details. The situation shown by this balance was, however, such that the foreign exchange economy seemed on the verge of collapse, as only a small fraction of the foreign exchange needs could be satisfied from the current accrual of foreign exchange. This situation had arisen in spite of the success of your export policy, to which you repeatedly refer. It was unfortunately also evident that it could not be improved by even the most intensive export policy alone. If the great national tasks set by the Fuehrer were to be carried on in the interest of the survival of the German nation, the only alternatives were to curtail to an unbearable degree the foreign exchange need for other purposes in favor of these tasks or to open new extraordinary sources of foreign exchange. Thus the taking over of the foreign exchange reserves has not been the result of a decision that I could make freely but has rather been an inevitable necessity arising out of the circumstaces that I faced in the foreign exchange field on taking up my economic-political assignment. This is also shown by the fact that even you were not able to help yourself except by trying to raise the accrual
P.12 of foreign exchange by special measures for the acquisition of foreign exchange demands as well as by gold sales, until my special project (Aktion) to gain control of the foreign exchange reserves was ordered. In 1936 a total of 46.5 million Reichsmark were acquired by special measures of the Reichsbank, of which only 12 million were due to my project. Along with that, 42.5 million Reichsmark worth of gold were sold in that year. As a result of these sales, furthermore, the Reichsbank's modest gold reserve became, as you pointed out to me yourself, ever smaller and threatened to disappear completely. The taking over of the foreign exchange reserves as undertaken by me protected the gold reserve of the Reichsbank from liquidation. Through the cancellation of the debits already noted by you, it (the gold reserve) is today better than before.

The inevitability of the seizure of the foreign exchange reserves has meanwhile become fully clear through the development in the food field. As you know, nearly half the proceeds of the special project have had to be devoted to urgent food requirements of the nation, although I met the need in the necessary degree through the initiation of a fats consumption regulation in the autumn of 1936 and also in the grain problem arranged all possible measures for the insurance of a thrifty economic management. If the foreign exchange from the reserves had not been avail-
P.13 able, the national food needs could not have been secured. No one conscious of the responsibility connected with the food policy will deny the necessity of avoiding under all circumstances any disturbances in the provision of foodstuffs. The foreign exchange proceeds from exports in no way covered this; they could satisfy the needs in the agricultural field just as little as those in the industrial field.

H1228-0167



The export trade, seen as a whole, not only did not make the special foreign exchange project unnecessary but even was supported by it, insofar as foreign exchange from the special project was claimed for export purposes.

As regards the use of the remaining proceeds of the special foreign exchange project, I cannot understand your remark that the foreign exchange proceeds are "not to be used for purposes of the Four-Year Plan." Insofar as the special foreign exchange was not expended for the nation's foodstuffs and for export purposes but for the "maintaining of our industrial occupation," they were in fact of benefit above all to the objectives of the Four-Year Plan which include, as is well known, the completion of the armament program. For industry is to a large extent occupied on behalf of the Four-Year Plan and of the armament program. You emphasize this yourself in another place in your letter when you speak of a "disproportionate claim on raw materials and manpower for public works as well as armament and the Four-Year Plan," and conclude that this is a danger to the export trade.

P.14 I agree with you regarding the care that is connected with the necessity of now realizing the foreign securities that have not yet been seized. This measure has become necessary because the proceeds of the special foreign exchange project must be used quicker than was foreseen and planned, because of the great need for foreign exchange for food (Ernaehrungsdevisen) and on account of the extraordinary rise in raw materials prices on the world market at the beginning of the year. I also am aware of the difficulty that exists in this connection and in view of the as yet incomplete German production of synthetic materials (Werkstoffproduktion) as well as in consideration of the new foreign exchange needs which may arise in the coming year (for example with the end of the moratorium). I must, however, insist on the request made to you that you make the necessary preparations for the seizing of the remainder of the foreign securities still in German hands. I will, however, leave nothing untried in finding ways and means to overcome the obstacles that confront the Four-Year Plan.

III.

H1228-0168



Page 15

## III. Production Policy.

The first statement in your critical remarks regarding the production policy asserting that the development in the agricultural sector has rendered the economic policy more difficult, is undebatable. However, opinions differ as to the cause of this fact. In this connection the Reich Food Minister (Reichsernaehrungsminister) gives different figures on the results of his production policy from those contained in your letter. According to the statement of the Reich Food Minister we had record grain crops in the years 1932 and 1933 which can hardly be compared to the crops of other years. During the years 1934-1936 the grain crops having been considerably below the above level still were higher than during the years preceding 1932 and did not reveal a tendency to decrease. This year's harvest cannot yet be accurately estimated but it is expected to be better than might be assumed from the estimate you submitted. In regard to potatoes prospects are still more favorable. Although potato crops since 1930 fluctuated regularly with a good year always being followed by a bad one, the potato crop in 1936 was especially good and a still better yield is expected from the coming harvest. According to the above, one could hardly speak of the failure of the production policy in regard to grain and potatoes. That is particularly true if one takes

Page 16

into account that during the past years agricultural acreage has actually decreased as a result of use of the land for other purposes, a fact which hardly can be blamed on the agrarian policy (Agrarpolitik). The yields of agricultural production are also satisfactory in regard to crops of sugar beets, root fodder (Futterrueben) and hay which clearly show a tendency to increase. Livestock and milk production show a tendency essentially in the same direction. In regard to your remark about the failure of the agricultural market-regulations, the Food Minister emphasizes that they, in any case, had kept the bread price constant since the seizure of power while during the same period in other countries bread became more expensive - partly considerably more so.

If despite this, as you state correctly, the dependence of the German food situation on foreign countries could not be decreased but if, on the contrary, the need of the agrarian sector for imports recently became particularly pressing, this has hardly been influenced by technical deficiencies such as wrong estimates, etc., as asserted by you and as denied by the Reich Food Minister. In this respect an important role is played primarily by the increase of population, as cited by you, and the increase in consumption. In regard to population

H1228-0169



as a political factor, one must take into consideration that 67.8 million people live in the present Reich territory in 1936 against only 61 million in 1914. Through the re-incorporation
Page 17 of the Saar territory, 800,000 people have returned to the Reich and since 1933 we note a birth surplus of 1.8 million. For the increase of consumption the re-incorporation of 5 million unemployed into the labor process naturally had to become of decisive importance. In addition, the difficulties in the field of food were caused mainly by the almost complete exhaustion of provisions. In regard to the policy of provisions the Reich Food Minister points out that he himself had always attached great importance to maintenance of sufficient reserves and particularly to current replenishment through imports. On the other hand, you Herr Reichbankpraesident had been the one who, since October 1934 demanded that the reserves be dissolved and even suggested the export of grain as possible and desirable.In a letter of 14 August 1945 - VI Dev. 197/35 - you had explicitly expressed your regrets that 2 million tons of wheat at a price of 40 Reichsmark per ton had not been exported which would have brought 80 million Reichsmark in foreign currency. Had this wheat been exported at that time it would have had to be brought back now, of course for a sum three times as high as the original sales price. Furthermore, you declared in a conference of the chiefs held with me on 15 October 1935 that carefully planned purchases of grain abroad would not be necessary because you would at any time provide sufficient amounts of foreign bills of exchange (Bardevisen) if the
Page 18 import of cereals should become necessary at a later date. Under these circumstance it must be stated that you yourself share the responsibility for the development that today the grain provision actually have melted down to a level which caused me to contemplate the most serious measures.

As to my personal activity in the field of food policy, since I had to pay special attention to it within the framework of the Four-Year Plan, it has been clear and is generally known. Despite the fact mentioned above, that not export but the falling back on foreign exchange reserves provided the means of payment necessary to assure food for the people,I instituted the well-known fertilizer project (Duengemittelaktion) in March 1937 which came just in time to have a decisive and most

H1228-0170



favorable influence on this year's crops of fodder and root vegetable (Hackfruechte). Furthermore, in direct discussions with the Reich Food Minister and the Reich Finance Minister I straightened out the existing differences of opinion about the means to be provided in the Reich budget for food and used my personal influence to secure the sums which must absolutely be made available for increasing agricultural production. During the past weeks, in spite of the great psychological difficulties to be taken into consideration in connection with it, I accomplished the delivery of the total amount of bread grain to safeguard the feeding of the population. I also

Page 19

set in motion negotiations the conclusion of which will effect the decision to be made by the Fuehrer on consumer regulations for grain. If you should extend your criticism of the food policy also to my participation in it, I could therefore easily refute the criticism.

H1228-0171



But your objections to my measures for the increase of industrial production are also unfounded. The figures on domestic raw material production before the beginning of the Four- Year Plan as given by you at the beginning of your letter, are essentially correct. Only if it could be proved that domestic raw material production had reached the highest possible figures, could it be said as concerns the above mentioned figures that export has proved to be the most effective means of satisfying demands. But that is debatable, as is well known. I suppose I need not mention from whom came the initiative for the execution of this increase in production and I only want to point briefly to the work done in this field by the Reich War Ministry, the Reich Aviation Ministry, and by the delegate of the Fuehrer for Economy (Wirtschaftsbeauftragter des Fuehrers).

It is undebatable that the tasks set by the Fuehrer for the Four- Year Plan could not be fulfilled in time if the increase in German production in the Four- Year Plan had continued in the same manner, particularly at the same tempo as previously. First of all, at the beginning of the Four-Year Plan, there was lack of co-ordinated planning for the
Page 20 advancement of raw material production as well as for the development of German synthetic materials (Werkstoffe) the handling of which was still in the first stages. Systematic general planning was first carried out by my office for German raw and synthetic materials. But even execution of perfected plans was unable to give satisfaction. In my efforts to do everything possible for the expansion of German production I repeatedly sensed in your ministry the attitude that production was of little importance in comparison to foreign trade and for this reason, deserved correspondingly little help. In contrast to this I am able to state that the import savings resulting from the work of the office for German raw and synthetic materials will bring noticeable results in the year 1937, which will rise considerably in the year 1938. Therefore, it cannot be overlooked that the increase in domestic production started by me in the Four- Year Plan affords a very effective chance for the assurance of the independence of Germany as regards the procurement of raw materials. Furthermore, the German synthetic materials developed in this connection represent valuable export articles, to a certain extent even today, and will continue to gain in importance in this respect.

This same restraint has also been observed by your
Page 21 house in the long drawn out negotiations on the increased production of German iron ore and, I believe, has fundamentally always been preserved. Despite this, certain plans were finally worked out after pressure was brought to bear by Keppler and, later, by myself.

H1228-0172



Page 21

This was the reason why I decided to undertake the preparation myself of the great national tasks of the absolutely decisively important German Iron Question with great effort. But it is not true that I had left you completely uninformed in this matter. I had previously made my ideas known to the Chief Superintendent of Mines (Oberberghauptmann) and expressly commissioned him to inform you accordingly. With the founding of the new Reich plants the former plans will not immediately be frustrated or become pointless. On the contrary, we reserve the right to combine what had already been correctly planned and prepared in the past with the work which is to be accomplished in the future. I would welcome your energetic cooperation in the new system in increasing the German iron ore yield. I have already established contact with industry in order to request its cooperation in this matter; it told me that it was quite willing to cooperate. The necessary precautions will be taken to see to it that the development and direction of the work are kept within sensible limits and that economic principles are respected as far as possible.

Page 22

In conclusion I should like to refer to remarks which you made in a paragraph of your letter entitled "the Four-Year Plan" about your general attitude toward my work in regard to economic policy. I know and am pleased that at the beginning of the Four-Year Plan you promised me your loyal support and cooperation and that you repeatedly renewed this promise even after the first differences of opinion had occurred and had been removed in exhaustive discussions. I deplore all the more having the impression recently, which is confirmed by your letter, that you are increasingly antagonistic toward my work on the Four-Year Plan. This explains the fact that our collaboration has gradually become less close. I emphasize therefore that, as before, I would be pleased if I could again count on your unlimited cooperation in reaching the goals set by the Four-Year Plan. These remain of course the same as long as the Fuehrer clings to them, who himself laid down the content and the execution of the Four-Year Plan in the memorandum which is also known to you. It is right for the Fuehrer to recognize that in certain raw materials and foodstuffs Germany's independence of the rest of the world cannot be achieved in the near future, and we all know that the German people must continue to be fed and employed until that time. However, the Fuehrer did not draw the conclusion from this, that only the labor and material investments not needed elsewhere should be expended for the execution of the Four-Year Plan.

H1228-0173



Page 23

In agreement with the Fuehrer, on the contrary, I look upon my tasks in this light, that the Four-Year Plan permeates the whole economy and that in the interest of its fulfilment certain difficulties in the "advance of economy" must be taken into account insofar as Germany's survival is not affected. This is completely justified, because the Four-Year Plan, besides its importance for the security of Germany, will some day be of considerable value, especially to the economy. If you want to talk to me again about this and about the resultant form of the necessary collaboration between us, I am only too glad to be at your disposal.

After the representation thus far made I stress the following statements in order to avoid any misunderstanding:

At no time did I fail -- and I should like to emphasize this once more here -- to recognize fully and completely your great service in the shaping of our currency and finance, your support in important problems of economy. This recognition is in no way reduced by this letter. On the other hand, I had to clarify things as they appear from my standpoint and on the basis of my information.

Page 24

Since you have transmitted a copy of your letter to the Reich War Minister, I will also send him a copy of this. I also have reported this to the Fuehrer and Reich Chancellor.

Heil Hitler!

Your

(unsigned)

(notation on separate sheet:)

The Adjutant of the
Reich Minister of Aviation.

Berlin W.8,
68-70 Behrenstrasse
Telephone: A2 Flora 0047
Telegram address: Reichsluft
Berlin

To: Miss Grolmann

1) Please send first carbon copy to Schacht

2) The second carbon copy is to be sent to Blomberg

H1228-0174



3) The copy which is in your hands is yet to be corrected

4) Schacht's letter of 5 August 37 to General (General-oberst) Goering to be filed.

(illegible signature)

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CERTIFICATE OF TRANSLATION
OF DOCUMENT EC 493

5 January 1946

I, MARTHA VON GRONEFELD, ACO, X 046272, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document EC 493.

MARTHA VON GRONEFELD

ACO, X 046272

Exhibit USA 643
Filed Jan. 11, 1946

(Rubber Stamp)

TRANSLATION OF DOC. NO. EC 494
OFFICE OF U.S. CHIEF OF COUNSEL

President of the Ministerial Council
General Goering
Zentralsekretariat
Rec'd. 10 Dec. 1937

The Reichsminister and Chief
of the Reich Chancellory

Berlin W 8, 8 December 1937
Wilhelmstr. 78

Top Secret !

RK. 366 B g Rs.
To
the President of the Ministerial Council
General Goering

---

My dear Mr. President !

I most respectfully submit, with the request for acknowledgment, the following copy of my letter of today to Reich Minister Dr.Schacht, concerning the office he held up to the present as Plenipotentiary General for the War Economy.

Heil Hitler !
Yours most respectfully.
(signed) Dr.Lammers

copy

Copy of RK. 366 B g RS.
The Reichsminister and Chief
of the Reich Chancellory

Berlin, 8 December 1937
Top Secret !

RK. 366 B g Rs.
To
Reich Minister Dr.Schacht.

---

My dear Reich Minister !

By order of the Fuehrer and Reich Chancellor I have the honor of informing you that the acceptance of your resignation from the leadership of the tasks of Reich Minister for Economy also includes the resignation from your Office as Plenipotentiary General for the War Economy, which you submitted at an earlier date.

Special mention need not be made of the fact, that the thanks tendered you by the Fuehrer and Reich Chancellor at the time of your departure from the Office of Reich Minister for Economy also extends to your activity as Plenipotentiary General for War Economy.

Heil Hitler !
Yours most respectfully.
(signed) Dr.Lammers

I, A. Flandreau, Civ. 046305, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document EC 494.

A.FLANDREAU
Civ.046305

H1228-0175

TRANSLATION OF DOCUMENT NO. EC 495
OFFICE OF THE U.S. CHIEF OF COUNSEL

Copy.

Berlin, 16 November, 1937

President of the Reich Bank
Dr. Hjalmar Schacht

My Fuehrer!

My dear Mr. Reich Chancellor!

At your instigation President of the Ministerial Council GOERING asked me to attend a conference on 1 November of this year, which led in an entirely friendly manner to the working out of a series of proposals, which President of the Ministerial Council GOERING promised to have presented to me in writing on the following day by his State Councillor NEUMANN, so that, after having reached an agreement, we could present a mutually approved text to you, my Fuehrer. This agreement, even though I repeated it to State Councillor NEUMANN on the next day, has not to this date been carried out by President of the Ministerial Council GOERING.

Since the office of President of the Ministerial Council GOERING in the meantime is interferring repeatedly with the authorities of the Reich Ministry of Economy, and since I as Reich Minister of Economy have been on leave of absence since the 5th of September of this year and it is not possible that the Ministry remain any longer without a chief, I should therefore like most humbly to ask you once more in the interest of a uniform government management for the carrying out of the release from the Ministry of Economy which was promised me.

It goes without saying that I am available, here or on the mountain, for an oral report at any time.

Thanking you cordially in advance I am

As ever your devoted
Dr. Hjalmar Schacht

To the
Fuehrer and Reich Chancellor
Mr. Adolf Hitler
Obersalzberg

I, T/3 Charles A. Moosmann, 12141925, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document No. EC 495.

T/3 Charles A. Moosmann
12141925

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H1228-0177

Exhibit USA 622
Filed Jan. 10, 1946

TRANSLATION OF DOCUMENT EC 611
OFFICE OF U.S.CHIEF OF COUNSEL

Speech of Dr. Schacht, President of the Reichsbank, on the "Miracle of Finance" and the "New Plan" before the Economic Council of the German Academy at Berlin on 29 November 1938 (Note - nach dem Sonderdruck der Reichsbank- - taken from special print of the Reichsbank).

Since the seizure of power by National Socialism, critics abroad have used two special arguments against Germany in the economic field. The first was, that German finances were developing in a disastrous manner which had to lead to collapse in a very short time, and the second, that Germany would be shipwrecked by the shrinking of her foreign trade, her elimination from the world market and her efforts at self-
P. 575 sufficiency. Only recently, after a long but vain period of waiting for the collapse, people are beginning to correct themselves and to speak occasionally in a somewhat envious tone of the financial miracle, which has been built up in Germany, and of the commercial-political achievements of the so-called new plan. The catch-word of the German financial miracle has even inspired a foreign journalist to write a biography of me, in which he depicts Schacht as a magician. (Note - N. Muehlen, "Der Zauberer". The Life and Loans of Dr. Hjalmar Horace Greeley Schacht 'Zuerich 1938')

And the Schacht commercial-political policy of the New Plan is the constant bane of all Most-Favored-Nations fanatics abroad who, from out of the abundance of their wealth, cannot conceive that a poor nation can yet have the courage to live according to its own laws instead of suffering according to the prescriptions of the rich. The unwilling recognition of our new economic-political methods also gave rise to further explanation and defense at home, in the process of which it did happen that I sometimes actually could not recognize my two brainchildren. Of course it is quite true that one cannot, during a period of formation exactly express oneself concerning all details, but the inner fundamentals must sometimes fail to be understood by the outsider, since too much talking endangers action. Now, however, that things have taken on a completed form, I believe that it would be both unobjectionable and useful for me as the originator to express myself publicly on these two questions. It will then be seen that there can be no question whatever of magic or artfulness, that the success of the two tasks was based, rather, on very simple, clear, fundamental ideas.

Yet I willingly agree with people abroad that it is difficult to comprehend the rise which Germany experienced after the changeover to National Socialism since, as was the case with our opponents, there was no understanding of any kind for the unheard-of oppression, deprivation of rights and economic misery which we were forced to undergo prior to 1933.

The collapse of German economy after Versailles had its climax in the credit crisis of 1931 (Note - 13 July 1931). It was unleashed by the "run" of our creditors abroad who would have liked to collect the entire debt of no less than 25 billion Reichsmark on three months notice. The fraction which was actually transferred was still large enough to destroy our economy. All credit transactions ceased, payments had to be considerably restricted, all large banks showed themselves to be in need of restoration and one (Note - the Danat Bank) was even beyond restoration. Rates of interest reached insane heights, the number of bankruptcies mounted by leaps and bounds. Each individual collapse of necessity released a new chain of suspensions of payment and thus entire branches of economy,

P.576 among them primarily agriculture, were soon facing ruin. The state of public finances became hopeless. Each increase in the tax rate only brought a decrease in receipts. All of these manifestations of economic decay had unequalled social misery as their inevitable result. The most staggering proof of this is found in the number of unemployed, which passed the 6-million mark in the winter of 1932/33. (Note - the peak was reached 15 February 1933 with 6,047,289 unemployed by actual count) and which, including invisible unemployment, amounted to almost 7 million. If in addition to this one considers that since 1926 the number of unemployed had never averaged less than 1,3 million per year, and that by 1930 the number already amounted to more than three million, then no further proof is needed that such constant mass unemployment constituted a political danger of the most serious order.

If the government of that time was incapable of any effective undertaking against this disaster, this was due to the fact that it disintegrated into party and interest groups and was enmeshed in inflexible parliamentary methods. A fatalistic resignation to a fate regarded as inevitable characterized national policy. It found a kind of economic justification in the classic national economy's widespread dogma concerning the powers of selfhealing, which are supposed to be latent in every crisis and to manifest their value in the natural course of events. The handling of this dogma was so unrealistic, so steeped in purely mechanical thinking, so lacking in any feeling for causes and relationships, that the result is a model of an economic policy as it should not be. Even a fleeting glance shows that the 1931 crisis cannot be compared to the prewar crises. In 1908 Germany had 25 billion marks worth of foreign assets, in 1931 an equal amount of foreign debts; in 1908 a few percent of the employable population were unemployed, in 1931 nearly a third. Between 1905 and 1908 suspensions of payment rose 21 percent, between 1928 and 1931 they rose 95 percent. The causes of the economic crises before the World War were almost always based on economic events, which were influenced by crop fluctuations, technical achievements, human miscalculations, etc. The economic crisis of 1931, on the other hand, was nothing but the economic finis to senseless, violent political measures which turned all normal economic development topsy-turvy. It was not the economy which had failed the German economy least of all; it was the policy of the victorious powers of Versailles that had failed. As a result economy could not help, only politics, which helped Germany with the seizure of power by National Socialism.

The National Socialist government did not hesitate a moment with its measures for starting the economy going again,
P.577 and in this connection it is very interesting to note that National Socialism never acted according to a preconceived theoretical economic program. Since I had been in personal contact with the leading men of National Socialism since the end of 1930, I was a witness of how the Fuehrer repeatedly rejected the manifold attempts to set up a detailed National Socialist economic program and clung to the ideological foundation of the party program. In 1933, therefore, economic declamation was immediately replaced by economic action. The ideas of so-called consumption financing (Konsumfinanzierungsideen), which were at first much talked about and which had in mind the indiscriminate distribution of a windfall of money (Geldsegen) by the state, were completely put aside. Thus the mistakes were avoided which we have today seen in the economic policy of the United States of America and France and which show how closely deflationary and inflationary crises are related.



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H1228-0179



Instead, all state aid was devoted from the very beginning to increasing production, at first in a so-called work-creating program (Arbeitsbeschaffungsprogramm) through credit for restoration, repairs, etc. (Note- Above all by the law for the reduction of unemployment of 1 June 1933- Dokumente der Deutschen Politik Vol. 1, Doc. 71.) and then by the great and constantly growing armament program. The extent of this program and of the highway construction undertaken very soon showed that these two tasks alone would put all idle manpower to work, so that the other work-creating measures very soon became superfluous.

Of course all this work-creating and armament program could be put into operation only by the state and only with the aid of generous financing. There was no capital available for this financing. Rather, help had to be obtained through the creation of money. The classic theory of national economics permits the creation of money only when the goods circulating in the economy have already increased; on the other hand, it forbids production financing and above all any sudden and extreme expansion of credit. This theory is correct only in the free, unregulated economy which served the classical national economists as the source of their knowledge. In such an unregulated economy an extensive increase in money must lead to wage and price increases and thus to tensions which as an end result unleash an economic crisis. With National Socialism, however, Germany came under an economy regulated to the greatest possible degree and to a constantly increasing extent by the state, which made it possible to prevent price and wage increases. Thus one of the main objections to production financing by credit was eliminated, and the credit money was used to produce a greater amount of goods. It remained only to establish limits for the amount to which the creation of money could go; for the
p.578 creation of money by the state always carries with it the danger of excess, which leads to inflationary phenomena. It was not only important that the newly created money be covered by newly created goods; the type of goods produced was also important. Reduced to a simple formula, the problem is as follows: The credit money made available for armament purposes produces a demand for consumers' goods through the payment of wages and salaries. The armament manufacturers, however, deliver military goods which are produced but not put on the market. From this follow two consequences: first, care must be taken that aside from armament manufacture an amount of consumer goods is produced which is sufficient to sustain the population including all those working for the armament industry; second, the less there is consumed the more labor can be used for armaments, but the higher consumption rises the more manpower must be left for the production of consumer goods. Therefore, the standard of living and the extent of armament production are in an inverse ratio. The less I consume the more I save, and the more I save the more I am able to put into armaments. This means that armaments can in the last analysis be financed only by the building up of savings and not by the creation of money.

When the Fuehrer again appointed me to head the Reichsbank (on 16 March 1933) to support the financing of work-creation and armaments, these connections were quite clear to me since in the decades of my work with economic problems

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I had learned to distinguish the means of exchange which is money from the means of production which is savings capital. But I saw just as clearly that first I would have to build a bridge to this normal way of financing through savings because our income from taxes had decreased to a minimum and our capital market (Kapitalmarkt) was empty. As long as the economy remained at its low level this state of affairs could not be changed. Consequently, the only correct way was for the bank of issue (Notenbank) to put at our disposal the credits necessary for work-creation and armament production until the economy would yield profits again which would render possible a sufficient building up of savings and consolidation. Only then a change to the way of financing through taxes and loans could be - and would have to be - made. It was also clear to the Reichsbank that it could release the forces to start the economy but could not rule them alone without the state. Despite this fact the Reichsbank took the risk of credit expansion (Kreditausweitung) which, from the first, was planned for sums of billions, because it was sure of finding the full support of the entire state machinery in its supreme task of currency protection.

P.579 The numerous measures which were taken in closest collaboration by all competent agencies during the time to follow all had the purpose of controlling the course of the credit expansion, of preventing a discrepancy between money and goods, and of putting superfluous money into armament loans. These measures fall into two groups according to their point of application. The first group is concerned purely with credit and finance policy. This includes the entire finance policy, lowering of interest, stock-floating legislation, supervision of banks, constant skimming of the money market by promissory notes of the gold discount bank, and, as the most important measure, control of share issuing. I especially stress this last-named measure, to which there is much opposition, because it will be essential for a long time yet, in order to safeguard the currency and maintain the interest level, to concentrate the means collecting on the capital market as far as possible on the financing of armament and the Four-Year Plan. The second group of measures, on which the Reichsbank had to place the greatest emphasis, includes the direct effects on prices and wages, which are entrusted to the Reich commissioner for price-fixing (Note- Appointed on 29 October 1936. Cf. Dokumente der deutschen Politik Vol. 4, Doc. 47) and the trustees of labor. They are to take the brunt of the pressure which is felt in spite of control of credit and finance policy and are thus to protect our currency from alternate price and wage increases, which are rightly considered the characteristic symptom of an inflation. The importance of this function in itself means that price and wage control must be maintained and if necessary even strengthened, until an adequate consolidation of the short-term armament credits from the capital market has resulted.

The simultaneous operation of all the measures named has hitherto effected the maintenance of German currency. Spring 1938 signified a cut in our financing policy, because the German economy had reached a condition of full employment.

H1228-0181



As soon as a national economy has employed all available labor and means, however, any further extension of credit becomes not only senseless but harmful, for then newly created money can no longer cause new production of goods, but only competition for the available labor and raw materials; and such competition must, in spite of all state supervisory measures, drive prices and wages up. Now, the term full employment is of course flexible. A national economy as great as the German one will still be able to mobilize a certain labor reserve and achieve certain results in the way of simplification and systematization. But a credit expansion in the previous manner was no longer possible,
P.580 and from this the responsible parties drew the consequences. On 1 April 1938 the granting of credit by the issuing bank was discontinued and the financing of government contracts then became dependent on methods of taxation and loans. The issuance of treasury bonds against deliveries was the instrument used in preparing the transition.

Nevertheless the Reichsbank is not by these means freed of all risks. For the Reichsbank has, in addition to the credits granted by itself, gone even farther in that it has drawn in very considerable resources of the money market for work-creation and the financing of armaments. While the term "capital market" includes all savings capital which is at the disposal of industry for a considerable length of time, the term "money market" is understood to mean the short term funds which mainly serve as the means of carrying on business; these are not invested as savings, but only loaned for a very short period as they are being circulated all the time. These funds form as it were the treasury of the German national economy. The Reichsbank has created fluctuating investments for these short-term monies - for which interest (even if at a low rate) is sought for the time when they are not being used - by offering them partly in the form of bills of exchange on the Gold Discount Bank (Golddiskont-bank) and partly by direct sale of short-term securities on the money market, which can be converted by industry at any time into cash at the Reichsbank. Here therefore is one obligation of the Reichsbank, which in times of a limited money market can effect and on occasion already has effected, a harnessing of the Reichsbank, but which at times of a more fluid market must always lighten the burden of the Reichsbank. By means of this ingenious system even short-term cash reserves of German industry, which would otherwise lie idle or go into other short-term investments, are drawn into the financing of work-creating and armament. It is also apparent from this representation that in addition to the control of the capital market, central supervision of the money market was also necessary and will remain so for the time being in the interests of finance on the whole.

And now all of you will be curious to learn what sums were and are involved. Naturally I do not disclose that. But one thing I should like to state emphatically and frankly.

H1228-0182



The figures which are disseminated about the total German foreign debt are fortunately considerably higher than the actual debts, and if it again becomes possible, which I hope will be the case in the not too distant future, to publish the actual figures of our total debt, the world will be astonished at how so much in the way of work-creation and armament could be achieved with so little use of credit.

P.581 The criticism of the extent of our money circulation which is occasionally heard should also be more restrained. In 1929 the total German circulation of legal tender was about 5980 million marks. In the meantime the population of the German Reic has been increased by 14.9 million through the increase in births and through the addition of the Saar, of former Austria, and of the Sudeten Gau. This means, with the same circulation of money per capita, a sum of 7370 million marks. Compared to this figure, the average circulation of legal tender for the first ten months of the current year is about 7930 million marks that is, only 560 million higher in comparison to 1929. Of course the circulation of legal tender was greatly increased in the critical month of September of this year; this is, however, less than the circulation increase of other states.

It is possible that no bank of issue in peacetimes carried on such a daring credit policy as the Reichsbank since the seizure of power by National Socialism. With the aid of this credit policy, however, Germany created an armament second to none, and this armament in turn made possible the results of our policy. Nevertheless, we are not dealing with a miracle, at least not in the financial field. The success is corroborated among other things by the increase in tax revenues (1932: 6.6, 1937: 14.0 billion marks) and the amount of the consolidation loans issued ((from 1934 to date (Note - Concerning loans from 1934 to 1937 cf. Dokumente der Deutschen Politik Vol. 5 p. 334 Note 3. In 1938 there were also three 4 1/2-percent Reich treasury bonds - 3 to 18 January 1938 first series: 1400 millio marks; 19 April to 4 May 1938 second series: 1966 million marks; 10 to 24 October 1938 third series: 1850 million marks.) about 13.5 billion without the loan at present being offered)) (Note - From 28 November 1938 to 9 January 1939 the fourth series of the 4 1/2-percent treasury bonds -- to the amount of 1 1/2 billion marks - was offered for subscription,) That is a finance policy of which we can be proud, but it is no miracle The miracle is in an entirely different field. The basic political attitude of our people has changed miraculously in the few years since 1933. Fatalistic resignation has been replaced by iron will and fanatical faith in the future of our nation. Egotism and disunity have given way to strict national discipline. Instead of a weak and vacillating government, a single, purposeful, energetic personality is ruling today. That is the great miracle which has actually happened in Germany and which has had its effects in all fields of life and not least i that of economy and finance. There is no German financial miracle.There is only the miracle of the reawakening of German national consciousness and German discipline, and we owe this miracle to our Fuehrer Adolf Hitler.

H1228-0183



P.582 I now turn to the second great complex of questions, that of commercial policy. First I should like to make a remark for the benefit of my friends at home. It is often very amusing for me to observe how, without prejudice to all work really achieved, one is repeatedly judged by slogans which have long since been cast off. One of the most popular slogans is that a man like Schacht can think only in terms of money and therefore, to paraphrase Lessing, cannot possess the only genuine ring of National Socialism. Such attitudes have such a tragi-comic effect because they come from people who are constantly calling for money but at the same time assert that money is of no importance.

The conception of the so-called New Plan, (note - went into effect on 24 September 1934; cf. Dokumente der deutschen Politik Volume 5 Page 352 f) with which we will now deal, proves exactly the opposite of so-called thinking in terms of money. The New Plan is the completely logical recognition that money alone is not enough; the important thing is the kind and amount of goods I can afford for money. One can neither make cannon nor bake bread with printed banknotes. What matters is simply and solely the possibility of supplying a sufficient amount of goods, and if one cannot produce these quantities of goods oneself, they will have to be obtained from somewhere through barter. In this barter money plays only the part of middleman in commerce.

The first point which must be established is that there is a variety of goods which Germany cannot manufacture, at least not in sufficient quantities for her population. It should really be self-evident that from this state of affairs arises the effort to tap as far as possible all productive sources of the country which have not yet been opened up. An industrial country which depends on imports cannot always be assured of disposing abroad of its goods in exchange for which it wants to import other goods; economic or political crises may prevent this. Criticism of the so-called efforts toward autarchy therefore appears more than ridiculous to me. The furtherance of production of domestic raw materials has very little relation to the rejection of foreign trade. Foreign trade is founded not only on economic necessity but also on efforts toward cultural exchange. Even if all countries were autarchic in the most fundamental necessities of life, there would still develop an international trade in innumerable cultural goods and in the consumer articles characteristic of an advanced civilization. Proof of this is found in the fact, among others, that highly developed industrial countries generally maintain a more active commercial trade among one another than with more primitive economic areas. The trade between Great Britain and Germany was never so active as at the time of their keenest competition in the international markets.

H1228-0184



P.583 But Germany is certainly not autarchic and never will be in all fields. She is dependent to a large extent on the import of foodstuffs and raw materials. The imports must be paid for with "Devisen", that is, with foreign currency. We do not possess this foreign currency; we can obtain it only by exporting our goods. I have already mentioned that Germany entered the crisis of 1931 with a foreign debt of no less than 25 billion marks. If more proof had been needed, it was shown beyond any doubt in the course of this crisis that German exports could not be increased sofar as to cover not only the necessary imports in goods, but also the payments on the debts. The impossibility of this was caused not so much by the fact that Germany could not have produced the necessary amount of export goods, but rather by the fact that foreign nations were either unable or unwilling to accept this quantity of German goods. The American and English tariff increases, the French continental quotas, etc. prove this with absolute clarity. And so Germany was laid under the necessity of, first, paying for a certain quantity of imports, and second, continuing the unproductive payments on the debts. Both together exceeded German strength, and therefore the first measure that had to precede a new German trade policy was to limit the payment on loans. Thus there was no other possibility than to introduce, to an increasing extent, the transfer moratorium, with which you are familiar.

When the payment on foreign debts had thus been restricted, goods traffic also had to be regulated, if the foreign currency problem was to be mastered. Entrusted by the Fuehrer with the task of solving this problem, I, as Minister of Economics, (Note - from 30 July 1934 to 26 November 1937) reverted to quite simple and primitive thought processes. I told myself that one should never buy more than one can pay for and if one cannot pay for everything that one would like to buy, one must first buy what one needs most urgently and must buy it where one can obtain it most advantageously. This again involves the danger of an incorrect application of the principles of the Classic National Economy which has lost its basis. The classic theory immediately answers the question, where can one buy to the best advantage: of course where it is cheapest. That is completely unthinkable today, for if one has no foreign currency for payment, the question of where it is cheapest is not so important as the question of where one can get the goods at all. And if the seller of the goods does not insist on selling only for foreign tender, which I do not have, but is willing to take goods in exchange,
P.584 the whole classic national-economic law loses its basis. All in all, this simple and primitive economic thought was based on the main question of whether the rest of the world was willing or able to renounce a market which consisted of almost 70 million people at that time and which today consists of almost 80 million, or whether they wanted to retain this market. According to the classic theory one should have assumed that anyone who cannot receive the payment he wants in foreign currency for his goods would renounce the sale of these goods.

Far from it. It has been shown that, in contrast to everything which classical national economy has hitherto taught, not the producer but the consumer is the ruling factor in economic life. And this thesis is somewhat connected with general social and political observations, because it establishes the fact that the number of consumers is considerably larger than the number of producers, a fact which exercises a not inconsiderable social and political pressure.

The new foreign trade system demanded that export and import be subjected to a certain control, but it would not necessarily have forced the whole German trade policy into the extreme of bilateral trade agreement systems, which we find today as the ruling factor not only in German trade policy but also--connected with the German distress--in the rest of Europe, and which is so very distasteful to our rich cousins in America. This extreme bilateral trade agreement system was forced on us by our foreign creditors; for they thought that with the control of our exports to their countries they would have a suitable means of obtaining payment for their capital demands, which could no longer be fully satisfied from Germany. A surprising development resulted here: in the creditor countries, which resorted to this clearing traffic (Clearingverkehr) toward us, a difference of opinion very soon arose as to who should be given preference, the exporter of goods, who wants to export to Germany, or the creditor, who wants to collect interest from Germany. The practical development of this problem was effected essentially in favor of the producer of goods and less in favor of the capital creditor. And if I just now said that the consumer and not the producer has become the decisive factor in economic life, one would almost be tempted to add here that in credit and capital traffic the debtor and not the creditor has the decisive position, in the last analysis. If the debtor absolutely cannot pay, it is up to the creditor to help him, or he must dispense with payment. Of course it is different if the debtor does not want to pay; the keeping of contracts and respect for private property will of necessity always form the basis of all communal society. At any rate, it is a false assumption that the bilateral trade system, with which Germany is today supporting her economy, arose
P.585 from our deliberate judgment. Oh, no. It is a natural and necessary result of the war tributes and the clearings which were forced on us. As soon as our creditors are ready to cooperate with us in removing the effects of the war tributes, a door will be opened through which we can come to many-sided trade and to free international payment traffic.

The New Plan, therefore, is not anything unnatural or fantastic. It arose from the emergency conditions into which Germany was forced by the rest of the world. The unusual aspect of the New Plan was only that its conception freed itself from all preconceived theoretical dogmas and in practice took those measures which could bring relief.



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H1228-0186



If there is enything remarkable about the New Plan it is again only the fact that German organization under National Socialist leadership succeeded in conjuring up in a very short time the whole apparatus of supervision of imports, direction of exports, and promotion of exports. The success of the New Plan can be proved by means of a few figures. Calculated according to quantity, the import of finished products was throttled by 63 percent between 1934 and 1937. On the other hand, the import of ores was increased by 132 percent, of petroleum by 116, of grain by 102 and of rubber by 71 percent. According to value, the passive trade balance, which amounted to 284 million marks in 1934, gave way to an active balance of 550 in 1936, and of 443 million marks in 1937. The so-called new goods debts, finally, were cut down to about half within two years.

These figures show how much the New Plan contributed to the execution of the armament program as well as to the securing of our food. Of course, we had to pay a high price for this success. At the time I called my own New Plan horrible, and today I hold the same opinion. I have been told that once at an exposition, a merchant, who knew how to combine annoyance and humor happily, decorated his booth with the approximately 40 forms which an export merchant must fill out today in order to carry on his business. I am of exactly the same opinion as this man, but for the time being this cannot be helped. I certainly do not believe that the main function of a merchant is to carry out the demands of an economic bureaucracy. In fact I am of the opinion that his business should be as voluminous and good as possible and that he should fill out as few forms as possible. As long, however, as our scarcity of foreign currency exists our foreign trade control must be kept up.

I do not know when we will be able to reduce it. I hope that it will be soon. Among the prerequisites therefor are the improvement of our raw material situation and the elimination of the conflicts between credit and trade policy. In this connection I still hope that a national-economic textbook going at least a little further than
.586 pre-war thinking, might finally be published in the United States of America. As long as these prerequisites have not been fulfilled the New Plan must remain in effect. It demands sacrifices, but it also guarantees success. Yes, the weight of the 80 million German consumers so strongly affects particularly the European countries around Germany that it cannot as yet be foreseen which economic-political changes in the European trade will result. In any case, the New Plan has shown that we do not intend to have our economic life directed from the outside, but wish to form it ourselves and are in a position to do so.

I do not wish for these two statements about the financial miracle and the New Plan to imply a purely polemic attitude toward the rest of the world.

H1228-0187



In fact, I hope and desire that my statements might lead to an understanding within and without our borders. This understanding is that the nations serve the prosperity of their fellow countrymen better by a peaceful policy of mutual regard of interests and the will to understand each other than by attempts at suppression and violence as were made by Versailles. The national-economic and cultural will to live of a great nation cannot be permanently enslaved. Even from times of greatest weakness and worst enslavement national forces always grow again for which a leader rises at the proper time, as Adolf Hitler arose for us. We are going through a time of struggle today, and measures during a time of struggle are often rough and not always conventional. It is foolish to cling to these disadvantages of fighting methods and, therefore, to be less peaceable. When the foreign countries are ready to respect our rights to life and our possibilities of existence, the methods also will become peaceable.



CERTIFICATE OF TRANSLATION
OF DOCUMENT EC 611

January 3, 1946

I, Wanda S. Tieszen X 046 265, hereby certify that I am thoroughly conversant with the English and German languages, and that the above is a true and correct translation of the Document EC 611.

Wanda S. Tieszen
X 046 265

H1228-0188

TRANSLATION OF DOCUMENT NO. 1168-PS
OFFICE OF THE U.S. CHIEF OF COUNSEL

EXHIBIT .., Oct 16, 1945

Neigl/Schacht.

May 3, 1935

Financing of Armament

The following comments are based on the assumption that the accomplishment of the armament-program in regard to speed and extent, is the task of German policy, and that therefore everything else must be subordinated to this aim, although the reaching of this main goal must not be imperilled by neglecting other questions. The difficulty still exists after March 16th, 1935, that to expose the German Nation to propaganda for the purpose of winning its support for armament, cannot be undertaken, without imperilling our position internationally.

A second assumption must be emphasized too, Printing-presses of bank-notes can be employed for the financing of armament only to such a degree as the preservation of currency value permits. Every inflation increases the prices of foreign raw materials and increases the prices within the country, acting like a snail biting its own tail. The fact, that our rearmament had to be camoufl ged completely until March 16, 1935, and even since this date the camouflage had to be continued to a larger extent, made it necessary to use the printing press (Notenpresse) already in the beginning of the entire armament progr m; while it would have been just natural to increase the output of bank notes at the final point of financing. In the portfolio of the Reichs Bank are 3775 million plus 866 million branched off promisory draft notes (abgezwelgte wechsel) altogether 4641 millions, of which the armament drafts amount to 2374 million Reichs Mark. (Stand as of April 1935) The Reichs Bank invested the major part of Reichsmark amount owned by foreigners, and which were accessible to the Reichs Bank, in armament drafts.

Our armaments, are therefore being financed partially with the assets of our political opponents. For the financing of armaments, the additional amount of roughly 500 million Reichsmark was spent, which in January 1935, originated from the Reichs-Loan placed with the Savings Banks. Up to now in the Budget Year 1933-34 750 million Reichsmark, in the budget year 1934-35 1100 million Reichsmark, and for the budget year 1935-36 2500 million Reichsmark had been provided for the regular budget of the Armed Forces.

The total sum of deficits of the budget since 1928, according to the Estimate 1935-36, increased to 5-6,000,000,000,000 (Billion) Reichs-Mark. This total deficit is already being financed at present by means of using the money market for short-term credits. It is obvious that this sum burdens the public market and hampers the chance of using it for the rearmament production. The Reich Finance Minister correctly points out in his Budget Analysis: "As a yearly deficit..... cannot possibly be endured in the long run, as we cannot count on increased tax revenues amounting to a sufficient counterbalance in relation to the deficit and the other advance debts. Because on the other hand only a reimbursed budget constitutes the solid foundation for the great military political task, to be carried out by us, we must engage principally and consciously in a budget policy, which solves the problem of financing rearmament by means of organic and planned reductions of other expenditures - not only on the part of revenue, - but also on the part of expenditure, that is, by means of employing economy."

The urgency of this demand is proven furthermore by the fact that an infinite multitude of tasks have been started by State and Party and are now being carried out, none of them are covered by the budget but from contributions and credits, which must be raised in addition to regular taxes, by the industry. This side by side existence of the

most diversified budgets, all of which serve more or less public purposes, constitutes the greatest obstacle for gaining a clear conception of financing of armaments. A whole number of Ministries and numerous offices of the party have their own budgets besides their share in the Reich Budget and thus have possibilities of income and spending which though based on the finance sovereignty of the State, they are not subjected to the control of the Minister of Finance, and therefore not subject to the control of the Reich Cabinet, either. Just as in the sphere of politics, the much too far-reaching delegation of legislative power to individuals in Germany brought about various States within the State, just as the situation of working side by side and against each other of countless State and Party Offices has a devastating affect on the financing possibilities of the re-armament. If in this matter a concentration and a uniformly directed control is not going to be applied soonest, the solution of the task of financing armaments, already almost impossible, is terribly endangered. Therefore:

1) A deputy must discover at first all sources and revenues which originate in contributions to Reich-State-and-Party as well as in profits of public or Party enterprises.

2) After that, a committee (Gremium) deputized by the Fuehrer has to investigate how these amounts have been used up to now and how much of these amounts can be withdrawn from its present use and be directed for the financing of armaments.

3) The same committee will have to investigate the assets of all the public and party organizations, to find out, how the properties are invested, and to what extent these properties may be employed for the financing of armaments.

4) The Reich Finance Ministry is to be entrusted to examine the possibilities of increased revenue by way of taxation or an increase of existing taxes.

Up to now the financing of armaments by the Reichsbank was a necessity during the present political conditions and the political success has proven this action to be correct. Now however, under any circumstances, other ways to finance armaments must be opened up. At this purpose all expenditures which are not urgently needed in other matters, must stop and the entire, in itself small, financial power of Germany must be concentrated toward the one goal: to arm. Whether the problem of financing can be solved along this line remains to be seen, but without such a concentration it will fail with absolute certainty.

21 November 1945

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. 1168-PS

I, MARGARET BOATWRIGHT, Civilian, 0-46273, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document No.1168-PS.

MARGARET BOATWRIGHT
Civilian,
0-46273

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TRANSLATION OF DOCUMENT NO. 1168-PS
OFFICE OF THE U.S. CHIEF OF COUNSEL

EXHIBIT .., Oct 16, 1945

Weigl/Schacht.

May 3, 1935

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A second assumption must be emphasized too, Printing-presses of bank-notes can be employed for the financing of armament only to such a degree as the preservation of currency value permits. Every inflation increases the prices of foreign raw materials and increases the prices within the country, acting like a snail biting its own tail. The fact, that our rearmament had to be camouflaged completely until March 16, 1935, and even since this date the camouflage had to be continued to a larger extent, made it necessary to use the printing press (Notenpresse) already in the beginning of the entire armament program; while it would have been just natural to increase the output of bank notes at the final point of financing. In the portfolio of the Reichs Bank are 3775 million plus 866 million branched off promisory draft notes (abgezwelgte wechsel) altogether 4641 millions, of which the armament drafts amount to 2374 million Reichs Mark. (Standas of April 1935) The Reichs Bank invested the major part of Reichsmark amount owned by foreigners, and which were accessible to the Reichs Bank, in armament drafts.

Our armaments, are therefore being financed partially with the assets of our political opponents. For the financing of armaments, the additional amount of roughly 500 million Reichsmark was spent, which in January 1935, originated from the Reichs-Loan placed with the Savings Banks. Up to now in the Budget Year 1933-34 750 million Reichsmark, in the budget year 1934-35 1100 million Reichsmark, and for the budget year 1935-36 2500 million Reichsmark had been provided for the regular budget of the Armed Forces.

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most diversified budgets, all of which serve more or less public purposes, constitutes the greatest obstacle for gaining a clear conception of financing of armaments. A whole number of Ministries and numerous offices of the party have their own budgets besides their share in the Reich Budget and thus have possibilities of income and spending which though based on the finance sovereignty of the State, they are not subjected to the control of the Minister of Finance, and therefore not subject to the control of the Reich Cabinet, either. Just as in the sphere of politics, the much too far-reaching delegation of legislative power to individuals in Germany brought about various States within the State, just as the situation of working side by side and against each other of countless State and Party Offices has a devastating affect on the financing possibilities of the re-armament. If in this matter a concentration and a uniformly directed control is not going to be applied soonest, the solution of the task of financing armaments, already almost impossible, is terribly endangered. Therefore:

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Up to now the financing of armaments by the Reichsbank was a necessity during the present political conditions and the political success has proven this action to be correct. Now however, under any circumstances, other ways to finance armaments must be opened up. At this purpose all expenditures which are not urgently needed in other matters, must stop and the entire, in itself small, financial power of Germany must be concentrated toward the one goal: to arm. Whether the problem of financing can be solved along this line remains to be seen, but without such a concentration it will fail with absolute certainty.

21 November 1945

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I, MARGARET BOATWRIGHT, Civilian, 0-46273, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document No.1168-PS.

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H1228-0191

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TRANSLATION OF DOCUMENT 1301-PS
OFFICE OF U.S. CHIEF OF COUNSEL

## Financing of the armament

The following explanations take as their premise the fact, that the execution of the armament program is by its speed and extent the mission of German policy, that everything else therefore must be subordinated to this purpose, unless the neglect of other questions would endanger the main goal. Even after 16 March 1935, the difficulty continues to exist, that one cannot attempt the influencing of the German people by propaganda for support of the armament, without endangering internationally our position. The financing of the armament program, already almost impossible, is being made especially difficult by that.

Further, another prerequisite must be presented. The printing press can only be used for the financing of armament to the extent which the maintenance of money value allows. Each inflation increases the prices of foreign raw materials, and increases the prices within the country; thus it is a snake, which bites its tail. The fact that our armament had to be camouflaged completely until 16 March 1935, and for the biggest part even afterwards, has led to that, that the printing press has already been made use of at the start of the armament program; whereas it would have been natural to put it at the final point of the financing. Of the 3775 millions in the portfolio of the Reichsbank plus 866 millions set aside in bills of exchange=total of 4641 millions, the bills of exchange to finance armament represent 2374 millions (status of 30 April 1935). The Reichsbank has invested most of the German mark sums, available to its administration and belonging to foreigners, in armament bills of exchange. Thus our armament was partly financed with the property of our political opponents. Also used for the financing of the armament program were the 500 millions RM, which came together through the Reich loan placed at the savings banks in Jan 1935. In the regular budget the following amounts were provided for the armed forces: fiscal year 1933/34 RM 750 millions, fiscal year 1934/35 RM 1100 millions, fiscal year 1935/36 RM 2500 millions.

The sum of the deficits of the budgets increase since 1928, according to the estimate 1935/36, up to 5 to 6 billions RM. At present this total deficit is already being financed by short-term credits from the money market. Thus it already burdens in this amount the possibilities of use of the public market for armament. The Reich Minister of Finance is justified in saying in his budget explanations: "Since an annual deficit.....is an impossibility permanently, since one cannot count with certainty an increased tax income, covering the deficit and other previous debts; since on the other hand only a balanced budget offers a secure basis for our great future task in the armament policy, fundamentally and consciously--a budget policy must be followed, which will solve the problem of financing of armament by organic and planned decrease of other expenses, not only from the point of view of income, but also of expenses, that means saving."

How urgent this demand is can further be construed from the fact that an unending number of tasks were attacked and are in the process of execution by state and party, all of which cannot be covered by the budget but by subscriptions and credits, which must be raised besides the regular taxes by business. This simultaneous existence of various budgets, which however all serve a more or less public purpose, present the greatest obstacle to the gaining of a clear picture of the financing possibilities of armament. A whole series of ministries and numerous agencies of the party have their own budget in addition to their share of the Reich budget, and thus accordingly income and expense possibilities, which, although they are based on the financial sovereignty of the state, are not subordinated to the control of the Minister of Finance and thus also not to the control of the cabinet. Exactly

as in the field of politics, the too far reaching delegation of legislative authority to individuals in Germany has led to the condition of many states within the state, thus the condition of parallelism and divergence ( Nebeneinander and Gegeneinander) of numerous state and party agencies has absolutely a disasterous effect on the financing possibility of armament. If in this field, no concentration and no unified control is introduced finally, one must fear the worst for the solution of the almost impossible task of financing of armament.

Thus the following tasks result:

1) A commissioner must at first determine all sources and incomes, which are derived from Reich, State and Party funds, as well as from profits of public or party enterprises.
2) Then, a commission, appointed by the FUHRER must investigate how these funds were used up to now, and how much can be taken from these funds in the future from their present purpose, and made available to the financing of armament.
3) The same commission has to examine the assets of all public and official party organizations, how the assets have been invested, and to what extent these assets can be utilized for the financing of armament.
4) The Reichministry of Finance is to be commissioned to investigate the possibilities of an increased tax income by the introduction of new taxes or the increase of existing tax rates.

The financing of armament previously by the Reich Bank was a necessity under the existing political conditions, and the political success has proved the correctness of this action. However now, other methods of financing of armament must be attempted under all conditions. With that, all not absolutely necessary expenses in other fields must be refrained from, and the entire, actually small, financial power of Germany must be concentrated on this one goal, the financing of armament. Whether the financial problem will succeed with this method of approach, is as yet doubtful, but without such concentration it will fail with certainty.

on the supply situation in the field of fuels and its effect on the Wehrmacht.

The simultaneous throttling and blocking of foreign sources of liquid fuel has caused an increasingly critical situation of supply of the German market since the beginning of the year 1936.

This situation calls for a description of the serious effects on the preparedness for action of the Wehrmacht and of the extraordinary measures which necessitate a decision in this matter.

The supply of the Wehrmacht is based on the home production, the reserves which can be made available in case of mobilization and the foreign imports which still for some time must fill the present gaps of supply.

I. The German production.

The anticipating measures taken during the last 2 years by the Reich Cabinet to increase the home production of fuel, will not bring about an essential improvement of the supply situation during the current year because of the time required for factory construction and the uninterrupted increase of demand, but cannot bring an appreciable relief until the year 1938. The list in enclosure 1 of the requirements in case of mobilization and of the supply of these requirements by production, as well as the graphs added to the other enclosures, show the influence to be expected from the German production on the entire supply.

The expanding German production favors mainly light fuels, especially fuel for airplanes, and in addition, oil for airplane engines. As to the other kinds required by the Wehrmacht in case of war, we cannot expect any improvement for the time being; as to heating oils it may be anticipated that the situation will deteriorate. The development of new processes (Uhde and Pott), the extent of which will shortly permit an opinion, offers certain possibilities of auxiliary supply which do not appear on the graphs, because the extent of the production possible until 1938 cannot yet be foreseen.

The inadequacy of the supply on the basis of home production is a fact which cannot be eliminated during the next 2 - 3 years, even with the greatest efforts and in spite of the planning started for additional expansion of production.

II. Reserves.

To assure the requirements of the Wehrmacht it becomes necessary to bridge the supply gaps by reserves. For the first period of mobilization the Wehrmacht relies on the reserves of business, especially of great importing corporations, which also in peace time consider stored reserves for about 3 months as indispensable for smooth distribution. The Wehrmacht ought to be enabled to count on the amount of these reserves remaining constant.

Beyond that the Wehrmacht accumulates its own reserves in large storage houses so that considerable national reserves will be available as buffers in case of supply difficulties.

III. Dependency of the overall supply on imports.

The obstacles to importing encountered to a large extent during the last weeks, and which have been brought about by an accumulation of economic-political events in foreign trade,

H1228-0195



endanger not only the maintenance of industrial reserves but also the continuation of the storage policy of the Wehrmacht. They shake the very foundations of the motorization program of industry and consequently also of Wehrmacht mobilization of mechanized vehicles to the extent planned for the case of war.

In particular large gaps have been opened:
1) due to the Russian prohibition of exporting petroleum, by which the benzol-association supplying about 20% of the German market got into considerable difficulties.
2) due to suddenly considerably increased demands of the Rumanians, who offer fuel only in exchange for foreign bills proper (Bardovison) and/or at greatly increased prices in marks. The contribution of Rumanian imports to the supply of German requirements was 40% during the last year. The firm Olex which contributes 11% to the German market has already been forced, due to the obstruction of Rumanian deliveries, to decrease its business considerably and will face a close-down of its market supply if relief is not procured before June 1936. Due to this reduction of imports similar stoppages are to be expected by the other great organizations of distribution during the same period.

IV. Means to secure the supply.

In considering how to meet the situation the following devices are unbearable for the Wehrmacht:

1) Reduction of mechanized traffic because this would, in addition to precarious economic and psychological effects, bring about a throttling of German motorization, which in view of the requirements of the Wehrmacht in case of war, would be a shock to mobility and supply of replacements.
2) Just as undesirable is to be considered the diminishing of reserves. The industrial reserves constitute the basis for mobilization, which has to rely on firm figures which remain about constant. As a decrease of reserves has already started, the further development in this direction is to be counteracted immediately. Aid from the reserves of the Wehrmacht cannot be granted because these modest quantities being ultimate reserves cannot be diminished under any circumstances.

Consequently, only the following means are to be considered:
1) Conceding to the Rumanian demands of paying imports in marks on a considerably raised price-basis.
2) Additional payments in foreign bills proper (Bardovison) of imports from Anglo-Saxon countries.
3) Investigation to what extent an improvement can be achieved by accelerating or expanding the facilities for German production.

The first course has been followed by the authorization to negotiate new contracts on the basis of the Rumanian demands. Adequate and punctual delivery to the market, however, is not yet assured hereby.

Re. 2.) Foreign bills (Devison) for the minimum of the indispensable import requirements can probably be obtained only by reduction of import of other necessities. The narrow limits of the presently assured raw materials for armament do not allow for a decrease of such imports which are indispensable for the Wehrmacht. In particular we cannot do without the necessary quantities of metals required by the Wehrmacht for current procurements.

Re. 3.) As a result of investigations made, essential changes cannot be expected at a date within sight.

V. Uniform management of the petroleum industry.

During the last few months the Wehrmacht has repeatedly emphasized the unavoidable call for a uniform and planned steering of the entire German petroleum industry. The present dangerous situation of the German fuel industry puts this necessity again into the spotlight. The lack of stern guidance in the present moment must lead to severest damages to the public and the defense of the country. The duty of a management according to plans of the petroleum industry must be in the first line to avert the permanent threat to mechanized traffic and the preparedness of the Wehrmacht for action lying in the extensive dependency on forces outside of the German sphere of control.

Enclosure 1 to "memorandum on the supply situation in the field of fuels and its effect on the Wehrmacht" of 9 March 36.

| | Mob. requirements | | Supply of requirements by production | |
|---|---|---|---|---|
| | 1936 t/Jahr | 1938 t/Jahr | 1936 % | 1938 % |
| Light fuels for car engines | 900 000 | 1 530 000 | 43 | 60.5 |
| Light fuels for airplane engines | 460 000 | 600 000 | 39 | 61.5 |
| (illegible), Fuel oil | 650 000 | 1 280 000 | 11.6 | 22 |
| Heating oil | 800 000 | 1 200 000 | 30.6 | 22 |
| Lubricating oil for car engines | 80 000 | 150 000 | 22.5 | 23 |
| Lubricating oil for airplane engines | 35 000 | 55 000 | - | 22 |

TRANSLATION OF DOCUMENT 1301-PS
Continued

IIa Needed raw materials 4/28/1936

(with consideration of the program for the supply of ammunition, amounting to 200 million marks (Mil. RM.)
(for the months of April 1936 to March 1937 = 12 months)

supply needed, submitted to R.Wi.Min. (letter of 1/13/36)

| | | |
|---|---|---|
| copper | 5400 t/month | (without plate VIII) |
| lead | 2300 t/month | " " " |
| zinc | 3100 t/month | " " " |

supply needed, considering the 200 Mill.-plan.

| | | |
|---|---|---|
| copper | 5850 t/month | (without plate VIII) |
| lead | 3350 t/month | " " " |
| zinc | 4020 t/month | " " " |

Therefore the additional need amounts to

| | |
|---|---|
| copper | 450 t/month |
| lead | 1050 t/month |
| zinc | 920 t/month |

Raw materials needed by parts of the Armed Forces
(for the months of April 1936 to March 1937)

| | | | | | |
|---|---|---|---|---|---|
| copper | 4830 | 670 | 175 | 175 | 5850 |
| lead | 2750 | 280 | 300 | 20 | 3350 |
| zinc | 2420 | 160 | 260 | 1180 | 4020 |

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Secret

Raw materials needed by the armed forces during the years 1935 and 1936

| raw materials | | need. 1936 | t/month 1935 |
|---|---|---|---|
| Iron and steel | | | |
| Iron ore | Fe | 130 000 | 80 000 |
| manganese ore | Mn | 7 000 | 4 000 |
| chromium | 0,5 C | 220 | 88 |
| | 0,5 C | 160 | 86 |
| wolfram | | 80 | 15 |
| molybdanum | | 40 | 8 |
| vanadium | | 3 | 1 |
| tantalum | | 2 | 0.5 |
| silicon | | 400 | 250 |
| Non-iron metals | | | |
| copper | | 7.500[1] | 4 670 |
| lead | | 6 500[2] | 3 520 |
| nickel | | 275 | 174 |
| tin | | 150 | 89 |
| zinc | | 3 100[3] | 1 830 |
| aluminum | | 2 720 | 1 900 |
| antimony | | 55 | 25 |
| cadmium | | 10 | 0,62 |
| mercury | | 20 | 12 |
| cobalt | | 10 | 3 |

Note: 1) for cables 2100 t/months; starting on 1 Apr.36 possibly only 6000 t/month, including 2100 t/ for cables;

TRANSLATION OF DOCUMENT 1301-PS
Continued

(Note: 2) for cables 4200 t/months; starting 1 Apr.36 7800 t/month which means 5500 t/month for cables;
3) from this amount: sheet-zinc in the limits of the quota of the association of zinc-rolling-mills 340 t/month; starting 1 Apr.36 possibly only 2700 t/month including sheet-zinc.

| Raw materials | need 1936 | t/month 1935 |
|---|---|---|
| Leather goods (economy) | | |
| skins and pelts | 1 300 | 1 400 |
| natural tanning matter | 800 | 860 |
| wood | | |
| special foreign timber | 170 | 150 |
| grain, fodder & further agricultural products | | |
| linseed | 1 500 | 1 900 |
| coal and salt | | |
| oil coke* (and Pitch coke) | 1 700 | 1 300 |
| various goods | | |
| diamonds, amounting to a value of | RM. 15 000-/month | 11 000 RM |
| cane | 200 | 160 |
| mica | 18 | 15 |
| magnesite | 1 200 | 1 000 |
| rubber and asbestos | | |
| rubber | 280 | 150 |
| asbestos (spinasbest) | 100 | 70 |
| fat for industrial purposes | | |
| glycerine | 165 | 120 |
| petroleum oils | | |
| gas for plane engines | 7 000 | 4 000 |
| light fuel f. motor vehicles | 3 000 | 1 500 |
| lubrication oil f. plane engines | 700 | 200 |
| lubrication oil f. motor vehicles | 500 | 150 |
| gas-oil, (diesel) | 7 500 | 1 200 |
| heating oil | 15 000 | 6 000 |

*of these 1500 t/month to produce the aluminum needed by the armed forces.

TRANSLATION OF DOCUMENT 1301-PS
Continued

Situation re fuel

| | Fuel for motorized vehicles | | Fuel for airplanes | | Gas-oil Diesel | | Heating fuel | | Oil for motor vehicles | | Oil for airplane engines | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Peace 36 | case of mobil. 38 | Peace 36 | case of mobil. 38 | Peace 36 | case of mobil 38 | Peace 36 | case of mobil 38 | Peace 36 | case of mobil. 38 | Peace 36 | case of mobil. 38 |
| Total need of armed forces and economy t/year | 2,000,000 | 1,650,000 | 80,000 | 600,000 | 800,000 | 1,300,000 | 500,000 | 1,200,000 | 75,000 | 150,000 | 5000 | 55,000 |
| Production in entire Reich-territory t/year | 900,000 | | 80,00 | | 280, 000 | | 270,00 | | 20,000 | | -- | |
| Missing quantity t/year | 1,100,000 | 750,000 | — | 520,000 | 520,000 | 1,020,000 | 230,000 | 930,000 | 55,000 | 130,000 | 5000 | 55,000 |
| New planning | 700,000 | | 300,00 | | 200, 000 | | ? | | 20,000 | | 15,000 | |

PAGE 8

H1228-0199

TRANSLATION OF DOCUMENT 1301-PS
Continued

Copy

Berlin, 15 May 1936

Prime minister General (Generaloberst) Göring
Raw material and Foreign exchange staff
Top Secret

To the Reichminister of war
Generalfeld marschall von Blomberg

Enclosed, a record of the conference of the council of ministers of 12 May 1936 in the afternoon is forwarded.

By order
/s/ Löb
Lt. Col. in the General Staff

Top Secret

Record
of the council of ministers on 12 May 1936 1700 hours

Chairman: Prime minister General GÖRING.
Reichminister of War Generalfeld marschall von BLOMBERG.
Reichsbank President and acting Reich and Prussian minister for Economy Dr. SCHACHT
Reichminister of Finance Graf Schwerin von KROSIGK
Prussian minister of Finance Prof. Dr. POPITZ
as the recording secretary Lt. Col. in the General Staff LÖB

Minister Schacht: shows the development up to now when two years ago, the decision for rearmament was made, it was decided to carry out the financing mainly outside the means of the Reichministry of Finance. This meant the commitment of the last reserve from the very beginning. A decision which did not seem without hazards. The memorandum of 3 May 1936 says the same thing.

In the course of the last two years, the program was increased more and more in its extent and speed. Thus the requirements to the Reichsbank were increased steadily.

It would be necessary to create, as basis for financing, a steady, prosperous economy, and therefore renounce the execution of other, partially irrational ideas and aims of the party. The psychological pre-requisite was not disturbed by the party as such, but by many individual groups of the party, again and again; personal attacks against Dr. Schacht and thus against the economy followed. Dr. Schacht has emphasized again and again, that one must follow a cultural and legal policy, which will leave economy alone. However one must not describe it as greedy and selfish from the beginning.

Also money theories of the most variable kind have been published repeatedly, thus causing anxiety for the economy; to counteract this was practically impossible, as the propaganda machine of the party did not permit this.

Despite all this, Dr. Schacht continued to work, because he stands with unswerving loyalty to the Führer, because he fully recognizes the basic idea of national socialism and because at the end, the disturbances, compared to the great task, can be considered irrelevant. Previously, approximately 11 billions marks besides the budget have been raised for rearmament and reemployment without shaking the rates of exchange and currency; the rate of interest could be lowered.

The Fuhrer has repeatedly emphasized in personal talks and cabinet meetings, that the speed of rearmament must be kept up until the spring of 1936. This was agreed to and carried out.

Prime minister Göring: Has never heard about this time limitation.

Minister Schacht: The main question for the further execution of the program is, how much money can be gotten out of business. Some 5 billion can be consolidated annually by long term loans, 8 to 9 billion cannot be asked for; the possibility of making

H1228-0201



available depends on the development of the money market. Full concentration of the money market through the Reichsbank is necessary.

If the Reichsbank should have to issue more notes than could be born by the currency, one must reach back to other factors.

Dr. Schacht will never be part to an inflation; the Führer also has decided in this sense. The danger of such a development is imminent. If a road is to be taken, which contains this danger, Dr. Schacht would like to drop out in time, so that he does not disturb the new course.

Dr. Schacht considers it impossible, that prices can be fixed by the state, if the same money policy is continued.

Prime minister Göring: What is the basis of currency with the Reichsbank?

Minister Schacht: This question has nothing to do with the gold standard. It is a question of something imponderable, to recognize the time of which must be left up to a fine sensitivity. If by a surplus of money, the danger of devaluation of the mark exists, the state can and must take action from the financial side by taxes etc. Considering the material factor, it must be determined, that we are dependent for numerous goods on foreign countries. Even small percentages as a whole have considerable effect. In many cases, the necessity for import is caused by trade political relations; therefore the raw material situation may not only be viewed and attacked from the production within Germany. The foreign relations must not be decreased all of a sudden. For instance the negotiations with STANDARD and SHELL were carried out on this basis.

Prime Minister Göring: When substitutes (ersatzstoffe) are sufficient in quantity, we shall no longer need the import, which presents us such difficulties.

Minister Schacht: In a series of cases, to be able to carry out the import, work from within Germany was utilized for compensation, for instance tankers for oil import corporations.

However it is especially required that nothing be said about intentions and measures of this field in public, so as not to aggravate the importers.

Prime Minister Göring: If the Führer has expressed himself in this direction, he did it to counteract the increasing pessimism in the country in respect to this field.

Minister Schacht: In any case, all anxiety must be prevented. Foreign exporters have already shown less readiness to deliver against certificates of foreign exchange, since they apparently have no more confidence in the cashing of these certificates.

Prime Minister Göring: Our raw material situation is generally known to the world. The article published in the papers on 28 April 1936 did not contain anything secret. Actually the confidence abroad should have been increased by this publication, because generally the opinion was held abroad, that Dr. Schacht was protected by the Prime Minister against the party.

Minister Schacht: The situation at present is thus:

Some 64 million marks are already claimed by reemboursement.

We must buy especially crude rubber and textiles; we have practically no crude rubber. Cellulose wool is not an adequate substitute, especially not for export goods.

The necessity for the closing down of manufacturing plants will soon result from this accordingly.

It must be decided whether the available gold should be all spent at the present speed or whether it should already be slowed down.

Swedish ores are still available for about 3 months. The export to Sweden becomes more difficult, and thus the import possibilities decrease.

Prime Minister Göring: is of the opinion that our export to Sweden continues, so that one can further count on import.

Minister Schacht: The raw material supply of Germany amounted at the beginning of the war to a value of about 7 to 8 billions; now it is less than 1 billion.

Prime Minister Göring; has heard repeatedly, that export business was refused by the Reichminister for Economy. In the future, the departments will be caused by him to re-examine such occurences; perhaps then it will work differently than until now.

Minister Schacht: Increase of our export appears improbable in the near future. Further obligations arise through the Foreign Office, the Reichsbahn, Post Office, Party and other agencies; soon the consular service cannot be paid any more.

The time will come, when we will have no longer any reserves of either raw materials or foreign exchange at our disposal.

Prime Minister Göring: If we have war to-morrow, we must help ourselves by substitutes. Then money will not play any role at all. If that is the case, then we must be ready to create the pre-requisites for that in peace. The account just described could have also been presented, in his opinion, in the meeting this morning.

Minister Schacht: Publication is recommended for only the smallest circle.

Prime Minister Göring: It is necessary to inform the people required for the execution.

Minister Schacht: In his opinion only the ministers, not the state secretaries. In addition, each department must be called in individually.

Prime Minister Göring: The psychological pre-requisites for the correct approach to the work must be created everywhere. The actual work is done by the state-secretaries and the experts. In the future one must go much more into detail; confidence in the persons employed in this is absolute necessity.

Prime Minister Göring: summarizes the explanation by Minister Schacht: In short, demands on the Reichsbank can no longer be covered; only 64 million marks are still available.

Minister Schacht: declares that besides these 64 million Reichsmarks in the private banks, there are another 72 million Gold with the Reichsbank.

Prime Minister Göring: continues with the summary:

The shortage of raw material is known in its extent. A considerable increase is no longer possible, in the opinion of Minister Schacht.

Minister Schacht: The production of raw materials within Germany finds its limitation there, when an increase of prices of export goods is created by it.

Prime Minister Göring: One can separate requirements within Germany and export. Even the smallest details are important. The following appears necessary.

1) Increase of export despite all difficulties.
2) The raw material coverage within Germany.
3) The possibly necessary resettlement of workers and food fundamentals for the execution of all measures.

These problems all affect each other, so that the participation of all departments is necessary.

Appropriate example: Position of the farmer, who does not utilize the available possibility of intensifying of fertilizing, because the capital lost is not bearable for him in case of bad harvests. In such a case, the risk lying with the weather must be partially taken from the farmer by a special organization.

The Reichministry of Finance must also be consulted greatly in reference to the regular budget. Re-awakening of thriftiness in all fields belongs to this program.

Minister Popitz: The final conclusions made by Dr. Schacht are clear and convincing, under the condition that the bases for these conclusions are correct. That

must be examined. It must be determined again, whether the principles, according to which the present raw material and foreign currency policy has been carried out with such a big success, are unalterable and correct.

The time when perhaps and inflation is feared is unclear; actually it is already here, even if it has a bearable extent.

An increase of export cannot be expected with the present system. However it is to be examined, whether there is not a better system. The basis of the present economic policy is deflationary. However it appears impossible to integrate the deflation into an actually existing inflation. It must be discussed, whether forced economy of export is to be continued.

It is to be examined further, whether the money for rearmament can be drawn out from the remaining economy. In no case may the condition arise, that the Reichminister for Finance and the Reichminister for Economy push the responsibility for the providing of funds to each other.

The difference between 2 billion Reichsmarks, which the Reichsbank believes to be able to raise on a long term basis, and the 8 to 9 billion Reichsmarks required for armament, cannot be covered by taxes. Therefore the following suggestion:

1) The raw material question, which can be solved comparatively simply, must be attended to at once by a special committee.

2) Illuminate critically the export question, so to say, in a scientific manner.

Minister von Krosigk: Economy of foreign exchange in detail is necessary. In that, small things also play a part. Equal saving is necessary in spending money within Germany. In contrast to Minister Popitz, he is of the opinion that expenses for armament must be taken over more and more by the regular budget. Expenses above this budget are to be covered

a) by long term consolidation of annually some 2 billion marks.

b) by short term bills of exchange and similarly.

The financing has succeeded up to now by these two means.

However the danger exists, the short-term bills of exchange can no longer be negotiated, so that flooding of the Reichsbank with MEFO bills would have an increased printing of banknotes as consequence.

Minister Popitz: In this case, printing of bank notes is only necessary if the money is absolutely necessary for payement of wages among other unavoidable things.

Minister von Krosigk: The decisive question for that is, whether inflation would actually happen by printing of banknotes to this extent. He does not believe so. The increase of prices observed so far was not caused by monetary reasons, but can be derived from increase of prices for raw materials and agricultural products. Thus one cannot speak of an inflation.

Prime Minister Göring: does not believe that an inflation would [illegible] from the monetary angle.

Measures which in a state with a parliamentary government would probably bring about inflation, do not have to have the same results in a totalitarian state.

Important for this is the application of an appropriate propaganda, so that the co-operation of the propaganda ministry, promised by the Führer, is of great importance.

Minister Schacht: gives a summary of the holdings of bills of exchange in the Reichsbank at present:

4,353,000,000.--RM bills of exchange

3,731,000,000.--RM of which are in MEFO bills of exchange

2,200,000.--MEFO bills of exchange are deposited in clearing accounts.

More than 5 billions in bills of exchange are deposited thus, that they can be presented immediately in case of disturbances of the money market, caused by any measure.

Therefore any disturbance must be prevented under all conditions.

Prime Minister Göring: agrees to be the "shield" for the measure of financial nature, so that no disturbances would happen.

The regular budget is to take over the current un-keep of the armed forces, but not the costs of the reconstruction.

H1228-0203

H1228-0204



Minister Popitz: It is to examined whether the regular budget cannot be relieved from interests and amortization quotas of advance drawings. Even the observing of the international bank law cannot prevent the using of these recognized necessary measures in this direction.

If the economy is started be increased export, naturally the circulation of money will increase and with that the possibility of further financing.

If the money, which had to be put into circulation, is only used for payment of wages, no inflation can take place.

Prime Minister Göring: orders:

1) Determination as rapidly as possible of the basis of payment.

2) Beginning of the execution work in the realm of raw material production within Germany.

3) Examination of the question of the export system.

In the next conference, contemplated for Friday afternoon, the examination of the export system is to take place.

First under his chairmanship (Göring's) the ministers Dr. SCHACHT, Graf SCHWERIN VON KROSIGK and Prof. Dr. POPITZ will consult each other. Then, immediately thereafter, the suggestions voiced there are to be discussed by a board of experts. The following were named for this board:

By Minister Schacht:
Reichsbank Director BRINKMAN
Reichsbank Director BLESSING
Ministerialdirektor Dr. SARNOW
By Minister von Blomberg:
Dr. TRENDELENBURG
By Minister Popitz:
Dr. SPRINGORUM
Dr. SOGEMEIER
Further
Reg. BURGERMEISTER KROOGMANN
Prof. WAVERMANN
and others, who will be appointed by the Prime Minister.

Prime Minister Göring: states that he can expect and demand discipline from the party, so that the protection of the individual auditor, called, is guaranteed.

Close of the conference; 1910.

H1228-0205



Summary of the raw material situation 2 May 1936

| Total requirement for the armed forces and the industry (estimated) | Iron ores | | Aluminum | | Crude rubber | | Cellulose wool | | Notes |
|---|---|---|---|---|---|---|---|---|---|
| | peace 1936 | case of mobil. 1938 | peace 1936 | case of mobil. 1938 | peace 1936 | case of mobil. 1938 | peace 1936 | case of mobil. 1938 | |
| | 9.5 million | 11 million | 105,000 | 160,000 | 75,000 | 85,000 | 12,000-70,000 | depending on import of natural fiber | |
| Production entire Reich industry | 1.8 million | | 96,000 | | 1000 | | 12,000-70,000 | | |
| Deficit | 7.7 million | 9.2 million | 9000 | 64,000 | 74,000 | 84,000 | any increase in production would be taken up by the market | | |
| Excess | -- | -- | -- | -- | -- | -- | | | |
| Tentative plans for expansion of own production | 1.2 million proposal Keppler | | ---- | | 2400 | | first increase until end of 1936 70,000 t | | |

H1228-0206



TRANSLATION OF DOCUMENT 1301-PS
Continued

Prime Minister General Göring
Raw Material and Foreign Exchange Staff

Berlin, 30 May 1936
Behrenstrasse 68-70
Telephone A 2 0048

Journal No...../36 (initial) BG th 2/6
(initial)

Rubber Stamp
Top Secret

To the
Reichminister of War
Generalfeldmarschall von BLOMBERG

Berlin

Enclosed, a report of the conference of the council of ministers of 27 May 1936, is forwarded.

By Order
LÖB
Lt.Col. in the General Staff

1 Inclosure:

Top Secret
Copy of meeting of Minister on 27 May 36, at 1130 o'clock.

Chairman: Ministerpräsident Generaloberst Göring
Reichskriegsminister Generalfeldmarschall von Blomberg
Reichsbankpräsident und kommissarischer Reichs- und Preussischer Wirtschaftsminister Dr. Schacht
Reichsfinansminister Graf Schwerin von Krosigk
Preussischer Finansminister Prof. Dr. Popitz
Recording Secretary: Lt.Col in the General Staff Löb

Prime Minister Göring: The two sessions of the board of experts held so far have brought forth interesting discussions. Naturally, opinions frequently disagree. The experts are invited to state their concepts in writing.

Today, discussion concerning the question of substitute-material. What objections are made to the production of war-raw materials within the Reich?

Minister Schacht: Principly there is nothing to object; a solution of the raw material problem by self-producing is absolutely necessary and agreed with, theoretically.

Difficulties are encountered with regard to:

1) serious monetary strain because of investments. Providing money by taxing capital is impossible. Circulation of money can not be increased beyond a certain amount. Previous measures executed correctly and without danger to monetary value. Further increase seems precarious; matter of confidence. This point of view alone, however, not determining; possible that funds could be drawn from industrial profits.

2) special scruples, regarding the cases where prices for substitute (Ersatz) material are far beyond world-market prices, and therefore the products cannot compete. (for example: tires made from BUNA). Adjustment would further increase the excise tax on exports. Inflation cannot be chosen, as this would immediately upset the state's budget.

It must be attempted to produce those raw materials within Germany which are economically favorable; for other raw materials ready reserves for the case of mobilization (Mobfall). Especially clear is the situation of flax; the complete covering of the requirement is possible; however not with hemp.

Certain raw materials for war must be stocked.

These viewpoints are recognized and followed by the Reich ministry for Economy. The execution is mainly dependent on the question of funds. Therefore, necessity to save in all fields, to make saved funds available for investment.

Prime Minister Göring: All measures are to be considered from the standpoint of an assured waging of war.

Ready reserves must ordinarily be accumulated already in peace in certain

amounts.

It is to be attempted to use cheap imported raw materials for export purposes, expensive raw materials from within Germany. In cases where the price differences are small, probably creation of a settlement is preferred.

Minister Schacht: This settlement can be carried out either by compulsory mixing or by a price settlement by the state of the expensive raw materials.

In any case, price supervision must be introduced again.

Minister Popitz: Placing of the burden of increased prices on the consumer is possible when the difference is only small.

The other possible method is sales monopoly or wholesale monopoly of certain goods.

Minister Schacht: It is recommendable not to influence individual, large fields, for instance textiles, by prices; but to concentrate funds for the monetary subsidation of other fields of raw materials.

Minister von Krosigk: The question cannot generally be judged theoretically, but only practically with the use of individual examples.

Prime Minister Göring: At first, the specially urgent petroleum question is to be treated.

General agreement to that.

Minister von Krosigk: Present experience is that the beginning of new methods of sale or price guarantee by the Reich results thus, that soon new and cheaper production mehtods are found. This recommends a not too sudden expansion of production.

Prime Minister Göring: Waiting for new methods is no longer appropriate. Plan of the Reich forestry office for the utilization of wood is ready. Import of timber must be cut down in any case; strongest demands on German forests to be preferred at present and can be advocated.

It is to be decided, whether at the beginning, a risk bonus over 6% profit is to be granted.

Minister Schacht: turns against higher profits than 6%. Guarantee of interest-bearing is to be preferred, and must be sufficient.

Minister von Krosigk: discusses the advantages of the amortization program.

Minister von Popitz: In contracts many times rapid cancellation is contemplated.

Minister Schacht: At the beginning more consideration is recommended, later stronger concentration, with profit sharing by the Reich.

Minister Popitz: requests that the cancellation periods be re-examined by a special committee.

Prime Minister Göring: The summary is to be prepared for the next committee meeting about:

1) Inventory of German Raw Material possiblities.
2) Form of the present decrease.
3) Mobilization requirement.
4) How shall raw materials be handled? Especially clarifications whether production within Germany is to start already in peace or whether the stocking of reserves is more important.

Subject of petroleum also can be considered concluded, therefore is to be handled immediately.

In the next council of Ministers, discussion of the agricultural question, then Minister Darré and State secretary Backe present.

Minister von Blomberg: In the fuel industry it is to be decided whether conversion to solid fuels should already be carried out in peace, or whether, as in France, it is to be prepared for the mobilization case. If possible and recommendable, increased use of tar coke (Schwelkok), no diesel oil for railroads.

Prime Minister Göring: Economy also absolutely necessary and to be insisted on in other fields of raw materials.

Minister von Blomberg: Examine as an example substitution of heavy metal by light metal (for instance cans of aluminum): general increase of the use of glass, especially for aerial bombs, maybe also for grenades; use of plastics for wide fields, even as far as transmissions. Certain hopes can be set on China. Therefore prevent political estrangement. Careful advances in the approaching of Japan necessary, at present the recognition of Manchukuo would be disastrous for Mr. Klein's current plans in China.

Prime Minister Göring: Common front of China with Japan against Soviet Russia can probably be produced.

(in green pencil) I did not express myself so specifically PL/

Minister von Blomberg: Japan is doubtful as a factor of military power.

Prime Minister Göring: Furthermore, the danger of Japan's turnabout always exists.

Results of the China affair cannot be viewed clearly because of the unclear inner political situation.

Minister Schacht: always has supported the attempts of Mr. Klein, because he especially hopes for food raw materials from China.

Minister von Blomberg: recommends further collaboration with the Kaiser Wilhelm Gesellschaft, with whom the Reichministry of War had very good experiences. At its head is the scientific authority; other imminent changes for solution proposed by the party unbearable.

Minister Popitz: Nomination of Geheimrat Bosch is possible for this post, when his resignation from the IC is possible.

Minister Schacht: General complaints about the deterioration of German science; this is also harmful for export, since the missing replacement limits the execution of German engineering missions abroad and thus German orders from abroad.

Minister Popitz: Seconds these complaints. Actions by the party which remove the most important people is unbearable. Explanation by examples.

In the liberal arts, the consequences are not being felt immediately, all the more so in the natural sciences. If service etc should be limited to the first two semesters of study, then full time and freedom for scientific activity.

Prime Minister Göring: In Prussia then, difficulties are partially removed. Influence of the liaison staff not always fortunate. Role of Professor Wagner.

Puts to discussion a taking over of a Spanish tin source, which is being offered from the Swedish side.

Minister Schacht: Basically in agreement, particularly when in a partnership enterprise German achievements will result by deliveries of machines.

Prime Minister Göring: asks Minister Schacht to conduct negotiations in this spirit during his visit in Belgrade relative to Jugoslavia in the near future.

Minister Schacht: The copper mining in Jugoslavia must take place by excluding the French, who sell copper for foreign exchange only.

Prime Minister Göring: During the next ministerial session, the investigation of the problems in the agricultural sector has to be conducted in such a way that direct statements of Minister Schacht/Minister Darré should be made about the single problematic issues.

End of the session 13 o'clock.

Fuel-supply situation
(1st draft of a plan for solution) 27 May 1936

| | Light vehicle fuel | | Airplane fuel | | Gas oil | | Heating oil | |
|---|---|---|---|---|---|---|---|---|
| | Peace 36 | case of mobil. 38 | Peace 36 | case of mobil. 38 | Peace 36 | case of mobil. 38 | Peace 36 | case of mobil. 38 |
| Total requirement Armed forces and Industry tons/years | 2000000 | 2650000 | 80000 | 600000 | 900000 | 1300000 | 500000 | 1200000 |
| Production in the entire Reich industry tons/years | | 1700000 | | | 220000 | | 270000 | |
| Deficit from requirements of mobilization tons/years | | 950000 | | | 1080000 | | 930000 | |
| To be covered by conversion (substitute fuel) | | | | | 200000 | | | |
| Necessary new plans | | 950000 | | | 880000 | | 930000 | |
| Proposal for a solution | | 3 Fischer plants of 320000 tons each by the end of 1937 | | | 4 IG-Pott plants of 220000 tons/year each by end of 1937 | | 3 Fischer whole-Pott or distilling plants of 310000 tons/year each | |
| Costs | | 380 million RM | | | 400 million RM | | 370 million RM | |



H1228-0209

TRANSLATION OF DOCUMENT 1301-PS
Continued

Copy of draft

Top Secret 31 August 1936

The War Minister and Supreme Commander of the Armed Forces
(Der R.K. Min. u. Ob.d.W.)
No. 2001/36 Top Secret WH

4 copies
1st copy - draft
2nd copy - Reich Air Ministry
3rd copy - Reich Ministry for Finances
4th copy - President of the Reichsbank

1) To the
Reich Minister of Air and the Supreme Commander of the Air Forces General Göring
Berlin W 8

Dear General Goring!

The negotiations conducted until now in the commission for foreign exchange and raw materials which is under your leadership, have already shown the necessity of dealing also with the financing of the armed forces there also. I believe the time has now arrived that the commission should take up the treatment of this problem.

As a preparation of such a discussion I suggest the following:

I. Overstepping of the 1936 budget.

It has been proven, particularly from the decree issued 7 March 1936, that the sum of about 10 billions of RM which was provided for the Wehrmacht for 1936 is not sufficient.

1. Additional expenses in the army are needed in first place by
a) the remilitarizing of the Rhineland
b) the fortification of the Rhineland
c) the setting up of all the 36 divisions already by 1 Oct 1936
d) the speeding-up of motorization, particularly the establishment of 4 fully motorized Infantry divisions.
e) the necessity of markedly increasing the reserve ammunition because of the increased number of divisions.
f) industrial preparations in a great variety of fields

2. In the navy the required faster increase of personnel, the building of a 4th entry to Wilhelmshaven and the refortification of Helgoland cause additional expenses.

3. Air Force

a) According to an order of the Fuehrer, the setting up of all-air force units has to be completed on 1 April 1937. Therefore considerable expenditures have to be made in 1936 which at the time when the budget for 1936 was made, were planned for later years only. Special additional expenses are caused by the creation of sufficient ground force personnel.

b) In the air force the first introduction of new types has to take place in 1937. Therefore the required industrial preparations have to begin in 1936.

It follows that an additional sum of at least 3.0 billions of RM will be needed by the Wehrmacht for 1936.

Of this about 1 billion RM is allotted to Army and Navy together. In the case of the Army and Navy, the execution of the orders and, in consequence, the dead-lines for the payments of the deliveries lagged quite considerably behind the placing of the orders. Therefore it can be assumed that these 1 billion RM will not be needed in cash before 1 Apr. 1937. However, the orders for these 1 billion RM have been placed and in the fiscal year 1937 these 1 billion RM will also be needed in cash.

In the air force the additional expenditures amount to 2600 millions RM. Here the execution of the orders from the budget funds of 1936 as well as of the orders for the additional requirements is in full progress. The 2600 millions RM for the air force have to be made available in the fiscal year 1936.

As yet it cannot be ultimately settled whether the introduction of the two years' service will lead to further additional expenses.

II. Requirements for 1937

The preparatory works for the budget of 1937 have not been concluded. At present the requirements for 1937 are estimated to be for

| | | |
|---|---|---|
| 1. | the army | 6.5 billions RM |
| 2. | the navy | 1.2 billions RM |
| 3. | the air force | 6.0 billions RM |
| | Total | 13.7 billions RM |

H1228-0210

Besides these 13.7 billions RM about 500 millions RM will be needed for the Reich defense requirements of the civilian departments.

III. Permanent requirements

According to a recently conducted survey, the component of the armed forces will have the following permanent requirements after the rearming is completed:

| | |
|---|---|
| 1 Army | 3.6 billions RM |
| 2 Navy | 0.73 " " |
| 3 Air Force | 2.507 " " |
| Total ... | 6.837 billions RM |

At present it is hardly possible to make an accurate estimate of the permanent requirements. In the case of the Army it is very likely that the amount for the permanent requirement will be considerably raised.

Later I will submit further material, particularly a statement about the requirements for the years until the completion of the rearming, as soon as the necessary inquiries are concluded.

I submitted copies of this letter to the Reich Minister for Finance, and to the President of the Reichsbank.

Heil Hitler!
Yours,
/ /

2. To the Reich Minister for Finances
Berlin W8

3. To the President of the Reichsbank Dr. Schacht
Berlin SW 111

Copy (of 1)
for your kind information

4. WV

Chief of WA Chief WH
signed P

Remark:

1. Major v. Wolff has given the letter addressed to General Göring to Lt. Col. Bodenschatz on 31 Aug.

2. I have personally handed the letters 2 and 3 to the President of the Reichsbank, Dr. Schacht, and to the Reich Minister of Finance, Count Schwerin von Krosigk, on Aug 31.

signed P.

Copy authenticated
Hollander
Ministerial Councillor
30 Sept 36.

H1228-0211

Note initialed (Flomberg?)

initialed: K 2/9 (Keitel)

President SCHACHT called me to him today at 1300 and requested me to forward the following to the Minister of War:

Schacht returned from the Führer with the greatest anxiety, since he could not agree to the economic program planned by the Führer.

The Fuhrer wants to speak at the party convention (Parteitag) about economic policy, and wants to emphasize there, that we now want to get free with all our energy from foreign countries by production in Germany.

Schacht requests urgently, that the Reichminister of War warn the Führer from this step.

If the Führer emphasizes in front of the masses in Nürnberg, he will receive a great amount of applause from the audience, but with it he will bring failure to the entire commercial policy. There is only one thing in our needy position: the promotion of export. Every threat against foreign countries however, will show contrary results.

We have reverses in the field of fuels until the middle of next year, there will not be large amounts in the field of rubber. The Renn-process in the field of ores is having great difficulties.

If we now shout out our decision abroad, to make ourselves economically independent, then we cut our own throats, because we can no longer survive the necessary transitory period.

Also, it must always be pointed out that German materials are at present much too expensive to be used for export, and export alone makes further armament possible.

If the food-basis of the people is not to be endangered, the Führer must refrain from his plan.

President SCHACHT concluded, that he again requests urgently to listen to this warning, and that he forwards it to the minister of war, as he will not participate in to-morrow's conference.

Thomas 2/9 (in blue pencil)

(Translator's note: the following is written in pencil in the original)

THOMAS in his memorandum:

"The missing million in cash must be saved, since there is no more possibility to obtain it by increase of export."

---

English armament==ore! Our own procurement is a must.

4 Year Plan without antagonizing foreign countries.
Card file ?
Speed of armament ? Yes---

"Extent of armament not sufficient.. Backing by foreign exchange and raw materials is absolutely necessary."

H1228-0212

TRANSLATION OF DOCUMENT 1301-PS
Continued

Top Secret
(rubber stamp)

1st copy
5 Sept 1936

Wi II
File No 66 b 9910 II z-a

# Minutes
## on a Conference in the Reichministry for Economy on 3 Sept 1936

| | | |
|---|---|---|
| Chairman: | Ministerialdirektor Sarnow | ) Reichministry for Economy and the competent experts of the Reichministry for Economy and the supervisory agencies |
| Present: | Ministerialdirektor Dr. Landwehr<br>Ministerialdirigent Dr. Spitta<br>Oberregierungsrat Dr. Michals | ) |
| | Major Czimatis<br>Commander Griebel<br>Regierungsbaurat Wissmann | ) Reichministry of War, W.A. |
| | Intendanturrat Nierhoff | Reichministry of War, V.A. |
| | Lt.Col. Ploch<br>Col. Witting<br>Dipl.ing. Bresser | ) Reichministry for Air and Supreme Commander of the Air Force |
| | Gen.Direktor Schirner, combined alum. plants<br>Dr. Westrick " " "<br>Dir. Beyer Alum. Sales Corp. | ) only during the conference on aluminum |

Subject:

I. Possibilities of allotment of foreign exchange to the armed forces and economy.

II. Aluminum supply.

I. After extensive study of the connected disadvantages, the Reichministry for economy has dropped the principle that one could desist from exporting all products with more than 40% foreign raw materials. Therefore and additional need for foreign exchange results for the upkeep of the export of 2 million marks with the supervisory board for base metals. Furthermore the allotment of cash foreign exchange to the supervisory board for bast fibres must be increased from 10 million marks to 17 million marks.

Intendanturrat Nierhoff made reports on the need of the Armed Forces of textiles and leather in the year 1937, which has increased considerably from the requirements of the year 1936 (see inclosure). To fulfill these Armed Forces requirements, cash foreign exchange is necessary in the following amounts:

| Group of goods | | Additional Armed Forces requirements of cash foreign exchange in million of marks |
|---|---|---|
| 1. | Wool | 24 |
| | shredded wool (Reisswolle) | 3 |
| | mohair wool | 0.75 |
| 2. | silk | 0.5 |
| 3. | bast fibres | 0.25 |
| 4. | cotton | 4 |
| 5. | leather | 22.5 |
| | Total | 55.00 |

Accordingly, the following overall picture results:

Amount of cash foreign exchange necessary previously for the upkeep of economy and for the covering of requirements of the Armed Forces.

900 million marks

Amount of cash foreign exchange necessary for the upkeep of export.

248 million marks

Additional requirement of cash foreign exchange necessary for the Armed Forces

146.8 million marks

Available amount of cash foreign exchange

140 million marks

H1228-0214



II. Aluminum

Report on the requirements of aluminum for the Armed Forces are contained in the summary given to the Reichministry for Economy on 29 Aug.

Major Czimatis explained that the Reichministry of War did not renounce the limitations of the allotments of aluminum to the general industry, as it was said in the letter of the Reichministry for Economy of 21 Aug 1936, but that the demands for full delivery to the Armed forces for the programatic rearmament, espcecially of the Air Force, will be kept up.

The Reichministry for Economy considers the full delivery to industry urgently necessary also in the interest of the Armed Forces, since by a "strangulation" installations important to the Armed Forces (power issues) would also be affected immediately, and one could therefore count on an increased requirement of copper and thus of foreign exchange.

The administration of aluminum by the supervisory board for base metals is being absolutely refused by the Reichministry for Economy.

Generaldirektor Schirner reports that the negotiations for the import of 1000 tons of aluminum from Switzerland against delivery of German clay and pitch-coke are favorable. Also, the payment of processing wages is to be done with clay. However, the import of these 1000 tons is distributed over 6 to 7 months.

1000 tons more can be obtained in a comparitively short time from the Aluminum Ltd from Canada. The negotiations for this are still in process.

Schirner reported that the stocks of aluminum in the plants is so high that he, in case the Reichministry for Air should agree to a temporary decrease of the stocks, could guarantee full delivery for both the Armed Forces and Industry until the opening of the new plants in Töging and Bitterfeld.

Lt.Col. Ploch consents that the stocks be decreased temporarily.

The Reichministry for Economy orders that the supervisory board for base metals first determine by revision the exact size of the stocks of aluminum for the Duren Metal works and the combined Light Metal works (Vereinigten leicht Metall Werke).

However, if difficulties should arise in the delivery to the Armed Forces with aluminum, then the Reichministry for Economy is ready to take up negotiations again.

MW (initials in pencil)

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Inclosure

Textile and Leather Requirements of the Armed Forces

| Raw materials | Requirement in the year 1936 in tons | Requirement in the year 1937 in tons | Required additional cash foreign exchange requirements in millions of marks |
|---|---|---|---|
| sheared wool | 7 200 | 18 152 | 24 |
| wool scrap (Reisswolle) | 1 040 | 4 900 | 3 |
| combings | 11 | 42 | - |
| mohair wool | - | 260 | 0.75 |
| wool from tanned hides (Gerberwolle) | 761 | 1 236 | - |
| silk | 23 | 72 | 0.5 |
| cocoons* | 72 | 72 | - |
| silk yarns* | 48 | 48 | - |
| (*figures by Reichministry for air) | | | |
| cotton of which quality cotton Portires and shelter halves (Egypt) | 8 600 | 16 200<br>about 4 000 | 4 |
| cotton scraps | 560 | 835 | - |
| artificial silk | 310 | 670 | - |
| cellulose wool | 1 080 | 3 130 | - |
| cleaned flax (Schwingflachs) | 3 600 | 4 800 | - |
| flax scrap | 7 070 | 10 500 | - |
| jute | 2 100 | 2 100 | - |

(cont)

| Raw materials | Requirement in the year 1936 in tons | Requirement in the year 1937 in tons | Required additional cash foreign exchange requirements in millions of marks |
|---|---|---|---|
| soft hemp and hard fibers | 1 100 | 1 635 | 0.25 (**) |
| of which hard fiber | | about 200 | (**) for 400 tons soft hemp and 200 tons Manila and Sisal |
| sleek leather | 11 000 | 24 000 | " |
| skins for uppers | 7 100 | 13 900 | |
| tanned leather | | 4 100 | |
| leather for soles | | 9 500 | 22.5 (***) |
| | | | (***) for 22 500 tons hides corresponding to 11 200 tons leather |
| | | Total | 55.00 |

It must be considered in the calculation of the foreign exchange requirements for the upkeep of the export of woolen goods, that the wool industry cannot stand more than a 10% decrease of the present amount, if it is to retain its export capability. Instead of Australian wool, one must reach back to about 50% of the available South-African wool for the exports. The wool available through the limitations of value of the clearing agreement is entirely used for export. The calculated amount of foreign exchange and the most urgent requirement within Germany of 12 million marks only applies under the condition that there are until the end of September still 2 million marks in cash foreign exchange available.

One can count for the requirement of the Armed Forces on an amount of 10 000 tons raw wool, based on existing agreement. 24 million marks in cash foreign exchange are required for the additional amount of 8 152 tons with the price basis of 3 000 -marks per ton.

Intendanturrat Mierhoff explained; that a decrease of the demands for quality for the Armed Forces is no longer bearable. Already 20% cellulose wool is being earmarked for uniform cloths, and a mixing of 30% scrap wool for overcoats.

The amount of foreign exchange of 4 million marks for quality cotton is therefore necessary, because one cannot count any more on the hitherto existing compensating transactions--especially with Egypt after circular 237.

The amount of foreign exchange estimated for export of 17 million marks for the supervisory board for bast fibres is distributed as follows:

10 million marks for jute
6 " " " Sisal
1 " " " Manila

The production of hides in Germany is reported as 140 000 tons per year. Even with the basis that the consumption of leather within Germany is decreased to a minimum, the 22 500 ton hides, corresponding to 11 200 tons leather for the Armed Forces, can only be procured with cash foreign exchange (22.5 million marks)

The raw hide requirement has determined individually with consideration for the time required to tan the individual types of leather.

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OFFICE OF U. S. CHIEF OF COUNSEL
TRANSLATION OF DOCUMENT 1301-PS

ERRATUM

The last paragraph of page 27 of Document 1301-PS is hereby corrected to read as follows:

"Thereupon the meeting was quite surprisingly closed by Field Marshal Goering without giving everyone wishing to speak an opportunity to do so (ohne dass die Wortmeldung erfuellt.....wurde) and without making decisions."

This correction is made by WILLARD E. SKIDMORE, Lt. (jg) USNR, 391590.

H1228-0216

(in pencil) Top Secret!

Conference at General Field Marshal Goering's at 1000, 14 Oct. 38, in the Reich Air Ministry

(in pencil): attention H.G.

General Field Marshal Goering opened the session by declaring that he intended to give directives about the work for the next months. Everybody knows from the press what the world situation looks like and therefore the Fuehrer has issued an order to him to carry out a gigantic program compared to which previous achievements are insignificant. There are difficulties in the way which he will overcome with utmost energy and ruthlessness.

The amount of foreign exchange has completely dwindled on account of the preparation for the Czech Enterprise and this makes it necessary that it should be strongly increased immediately. Furthermore: the foreign credits have been greatly overdrawn and thus the strongest export activity--stronger than up to now--is in the foreground. For the next weeks an increased export was first priority in order to improve the foreign exchange situation. The Reich Ministry for Economy should make a plan about raising the export activity by pushing aside the current difficulties which prevent export.

These gains made through the export are to be used for increased armament. The armament should not be curtailed by the export activity. He received the order from the Fuehrer to increase the armament to an abnormal extent, the air force having first priority. Within the shortest time the air force is to be increased five fold, also the navy should get armed more rapidly and the army should procure large amounts of offensive weapons at a faster rate, particularly heavy artillery pieces and heavy tanks. Along with this manufactured armaments must go; especially fuel, powder and explosives are moved into the foreground. It should be coupled with the accelerated construction of highways, canals, and particularly of the railroads.

To this comes the Four Years' Plan which is to be reorganized according to 2 points of view.

In the Four Years' Plan in 1st place all the constructions which are in the service of armament are to be promoted and in 2nd place all the installations are to be created which really spare foreign exchange.

The substitutes produced by the Four Years' Plan are to be brought rapidly into circulation. The Reich Ministry for Economy and the other agencies should make suggestions by the beginning of November for rapidly increasing the introduction of the substitutes. The import of materials for which we have substitutes has to be drastically curtailed.

General Field Marshal Goering enlarged then upon the main problem of the session: how can these requirements be fulfilled.

He is faced with unheard difficulties. The treasury is empty, the industrial capacity is crammed with orders for many years. In spite of these difficulties he is going to change the situation under all circumstances. Memoranda were of no help, he desires only positive proposals. If necessary, he is going to convert the economy with brutal methods in order to achieve this aim. The time has come when private enterprise can show whether it has a right for continued existence. If it fails, he is going over to state enterprise without any regard. He is going to make barbaric use of his plenipotentiary power, which was given to him by the Fuehrer.

All the wishes and plans of the state, party and other agencies who are not entirely in this line have to be rejected without pity. Also the ideological problems cannot be solved now, there will be time for them later. He urgently cautions against making promises to the workers which can not be kept by him. The wishes of the labor front cede entirely into the background. The industry h to be fully converted. An immediate investigation of all productive plants is to be initiated in order to determine whether they can be converted for armament and expert or whether they are to be closed down. The problem of the machine industr has the first consideration in this respect. There is no place for printing and

H1228-0217

laundry machines and other machines of that kind, they all have to produce machine tools. In the field of machine tools the priorities of the orders are to be investigated, and wherever possible, increase in productive capacity is to be introduced. It follows without saying that work has to be conducted in 3 shifts.

It remains now to decide who is going to carry out this task; the state or the self-administrative industry. He requested a proposal from General director Zangen for the methods to realize these plans. He warns all agencies, particularly the labor front, price controller etc. from interfering with these proposals in any way. He is going to proceed ruthlessly against every interference on the part of the Labor Front. The Labor Front would not receive raw materials and workers for its tasks any more. Similarly all other party requirements have to be set aside without consideration. Foreign workers can continue being employed except in the particularly secret sections of the enterprise. At the present time the plants should not be burdened with unnecessary demands, such as athletic fields, casinos or similar desires of the labor front. Measures proposed by the Labor Front have to be submitted to him for approval.

Raw materials and power are to be subjected to accurate management. Similarly the distribution of men has to be organized in an entirely different way than it has been done until now. The retraining did not function; all agencies failed. The recommitment of the youth into the industry will be organized by him on a very large scale. Large state apprenticeships are to be created; besides, the plants will be obliged to hire a certain number of apprentices. A retraining of hundreds of thousands of people will have to take place. Much more work will have to be performed by women than until now. Above all, the young women have to be employed much more. Work periods of eight hours do not exist any more; wherever necessary, overtime is to be performed, double and triple shifts are a matter of course. Where the workers will protest, as in Austria for example, General Field Marshal Goering will proceed with forced labor; he will create camps for forced labor. The Labor Front should not carry false social ideas among the workers. It is a fact that one generation has driven the cart into the mud through the mutiny of the workers and by being guilty of not having shot these workers on the spot. Therefore we had to put the thing in order again.

Much is to be done at once in the field of transportation. The Ministry for Transportation should submit a request about the construction of rolling stock and about other requirements. The branch-canal near the Hermann Goering Works is particularly important. It cannot continue that the Armed Forces interfere with the car park. If that will continue, he will make a decision, because it is impossible that the people should starve on account of it.

In the agriculture it is of importance to employ foreign workers. Similarly the problem of the agricultural machine has to be promoted. Of particular importance is the erection of storehouses.

The Sudeten land has to be exploited with all the means. General Field Marshal Goering counts upon a complete industrial assimilation of the Slovakia. Czech and Slovakia would become German dominions. Everything possible must be taken out. The Oder-Danube Canal has to be speeded up. Searches for oil and ore h have to be conducted in Slovakia, notably by State Secretary Keppler.

In the 2nd part of his discussion General Field Marshal Goering took up the Jewish problem. The Jewish problem had to be tackled now with all methods, because they have to get out of the economy. However, the wild bustle of commissars as it developed in Austria has to be prevented under all circumstances. These wild actions have to cease and the settling of the Jewish problem should not be regarded as a system of providing for inefficient party members. Thereupon Ministry Councillor Fischboeck was allowed to speak. He revealed that in the beginning there were 25 000 commissars in Austria. Today there are still 3 500 who are useless almost without exception. In Austria the party is of the opinion that Aryanization is a duty of the party and that it is connected with the recompensation of the old party members.

In Austria there is still a total of 2 billions of Jewish property. The large enterprises are being bought up by the Control bank; it is difficult to oust the Jews from the small industrial enterprises.

General Field Marshal Goering took a strong stand against the opinion that the Aryanization is the duty of the party. It is the duty of the State alone. However, he could not release foreign exchange for shipping away the Jews. In an emergency situation ghettos should be erected in the individual large cities.

State Councillor Schmeer cautioned against more lenient methods in the fight against the Jews; Jewish labor units should be established, then the people would emigrate of their own accord. State Councillor Neumann warned and expressed the opinion that one should use more precaution in this matter, particularly in Austria.

Thereupon the meeting was quite surprisingly closed by General Field Marshal Goering without giving everyone wishing to speak an opportunity to do so and without making decisions.

HG

H1228-0219

Material
for the Conference with Goering
on 25 Nov 1938
(General Keitel
Brig.Gen. Thomas)

W.Wi Id.

27 Oct 1938

For the consideration of the assignment of tasks to people, state and the Armed Forces, judging of the requirements of raw materials, especially steel, appears necessary.

This is shown as follows, as far as it can be judged from here. The inclosed summary shows that one must count, according to the Fuehrer's directives, on a steel requirement for armament production, which amounts to

1.08 million tons monthly from 1 Jan 1939 on, that is, it must be increased by about 48% of the present contingent. Added to this requirement are the increased demands of the Four Years' Plan, the demands of export and the amount necessary for the upkeep of the production machine of German economy in the amount of

1.83 million tons monthly from 1 Jan 1939 on; thus this results in a total requirement of

2.9 million tons monthly from 1 Jan 1939 on, against which there is only a monthly production of

at present 1.8 million tons monthly.

Furthermore, it must be pointed out, that with the increased use of steel, an increased use of the already scarce non-ferrous metals is necessarily coupled; the latter also are closely associated with the procurement of foreign exchange.

The increased rearmament of the armed forces must further affect deeply the supply requirements of the armed forces, especially munitions and fuels. Therefore, it must be expected that the future requirements of the armed forces will exceed the present plans (accelerated program for powder and explosives, fuel program), which will have an increase of the steel requirements not yet planned as result.

---

Secret

Summary
of the Iron and Steel Requirement of the Armed
Forces and Industry tons per month

| | Contingent of the IVth quarter 1938 | Contingent of the 1st quarter 1939 | Requirement from 1 Jan 1939 on | in contrast to the contingent Ist quarter 1939 |
|---|---|---|---|---|
| I. Armed Forces | 584 333 | 573 133 | 1 088 300 | -515 167 |
| II. War economical organization of German industry | 306 600 | 306 600 | 613 500 | -306 900 |
| III. Export in case it is possible to reach the stage of beginning of 1938 | 380 000 | 380 000 | 550 000 | -170 000 |
| IV. Upkeep of the production machine of the German industry | 582 800 | 582 800 | 582 800 | - |
| V. Other requirements | 83 500 | 83 500 | 83 500 | - |
| Total | 1 937 233 | 1 926 033 | 2 918 100 | -992 067 |

H1228-0220

TRANSLATION OF DOCUMENT 1301-PS
Continued

Inclosure 1

Secret

Summary
on the Iron and Steel Requirement of the Armed Forces

tons per months

| | Contingent of the IVth quarter 1938 | Contingent of the Ist quarter 1939 | Requirement from 1 Jan 1939 on | -in contrast to the contingent of Ist quarter 1939 |
|---|---|---|---|---|
| Army | 300 367 | 266 000 | 525 000 | -259 000 |
| (for fortifications) | (86 667) | (85 000) | (165 000) | (+ 80 000) |
| Navy | 78 000 | 74 000 | 140 500 | - 66 500 |
| (for "Grünewiese") | ( - ) | ( - ) | (35 000) | (+ 35 000) |
| Air Force | 166 400 | 191 133 | 247 300 | + 56 187 |
| (for fortifications) | (13 333) | (15 000) | (15 000) | ( - ) |
| Reich communication measures (RV-Massnahmen) | 39 566 | 42 000 | 175 500 | -133 500 |
| (for increased extension of the Reich railroad) | ( - ) | ( - ) | 130 000 | (-130 000) |
| Armed Forces Total | 584 333 | 573 133 | 1 088 300 | -515 167 |

Chief OKW
58a 40 38 top secret
1157/38 top secret

7 Dec 1938

Top Secret

7 copies
7th copy

(in pencil)
To the State Secretary Neumann
Received copy without receipt
K. 12 Dec 38
Documents for the conference at Field Marshal Goering's on 13 Dec 1938 with Supreme Commanders General Keitel, Neumann, Koerner, Gen. Thomas.

To
the Supreme Commander of the Army )
the Supreme Commander of the Navy ) one
the Reichs Marshal of the Air Force and ) copy each
Supreme Commander of the Air Force )

The Fuehrer and Supreme Commander of the Armed Forces authorized me to inform the Supreme Commander of the following:

The strained financial situation of the Reich makes it necessary that for the rest of the current fiscal year 38/39 the expenses of the Armed Forces, which in the last months under the strain of extraordinary circumstances have undergone a very considerable increase, should be lowered again to a level which would be tolerable for some time.

It will be at the discretion of the Supreme Commander to decide what measures should be taken for this purpose according to the priorities in the armament program. According to the Fuehrer's request

ARMY ( the equipping with arms will have first priority, the providing of ammunition and the building of fortifications for the army will be considered in second place only.

NAVY ( the building of ships, of ports and docks will have first priority over all other requirements, also over that of providing ammunition.

AIR FORCE ( the equipping with arms will have first priority, the providing of ammunition will have to be considered in second place only.

If necessary, the initiation of new enterprises will have to be delayed, the execution of current enterprises and orders will have to be distributed over a longer period of time. The allotted quota of raw materials which will be decreased starting 1 Jan 39, will also compel us to a certain extent to do this. It has to be achieved that

in the Army
in the Navy
in the Air Force

during the period from 1 November 1938 to 31 March 1939 (end of the fiscal year) not more than

(Army): 3.7 billion RM
(used until now 4.9)
(Navy): 650 million RM
(Air Force): 2.5 billion RM

should be expended in the form of cash and delivery treasury scrips.

It is not yet definitively established how much can be allotted for the next fiscal year 1939/40 in the form of cash and delivery scrips. At present, the branches of the Armed Forces cannot expect greater quotas than the following:

5.2 billion RM for the Army
1.4 " " for the Navy
4.9 " " for the Air Force

signed: Keitel

H1228-0222

W H
58 a 40 38 g K
1157/38 g K

Top Secret
Copy

for information

illegible signature

to
the Chief of the Air Force
the Chief of the W Stb

---

Chief of the War Industry Staff
Adjutant

1 March 1939

Draft

To the adjutant's office of General Field Marshal Goering.

On behalf of Brig. Gen. Thomas I request an appointment for a conference for the general before the departure of the General Field Marshal on following urgent subjects:

1.) The branches of the Armed Forces--particularly the Navy--submitted requests for additional amounts of non-ferrous metals and of steel. General Thomas requests instructions what attitude he should take in regard to this question during the absence of the General Field Marshal.

2.) The General Field Marshal has to make decisions in 2 matters concerning foreign policy.

Illegible
Captain.

---

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. 1301-PS

15 November 1945

I, WILLARD EVANS SKIDMORE, Lt. (jg) USNR 391590, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a correct and true translation of Document No. 1301-PS.

WILLARD EVANS SKIDMORE
Lt. (jg), USNR
391590

H1228-0223

H1228-0224



TRANSLATION OF DOCUMENT 2261-PS
OFFICE OF U.S. CHIEF OF COUNSEL

C O P Y !

The Reichs Minister of War
and Supreme Commander of the Armed Forces
No. 1820/35 Top Secret L. II a

Berlin, 24 June 1.

TOP SECRET

To
The Supreme Commander of the Army
The Supreme Commander of the Navy
The Supreme Commander of the Air Forces

In the appendix I transmit one copy each if the law for the defence of the Reich of the 21 May 1935 and of a decision of the Reichs Cabinet of 21 May 1935 concerning the Reich's defense council. The publication of the Reich's defense law is temperarily suspended by order of the Fuehrer and Reichschancellor.

The Fuehrer and Reichschancellor has nominated the President of the directorate of the Reichsbank Dr. Schacht to be "plenipotentiary-general for war economy".

I request that the copies of the Reich's defense law needed within the units of the armed forces be ordered befcre 1 July 1935 at armed forces office (L) where it is to be established with the request that the law should only be distributed down to Corps Headquarters outside of the Reichministry of war.

I point out the necessity of strictest secrecy once more.

(Signed) von Blomberg.

---

No. 1820/35 L Top Secret II a Berlin, 3 Sept 1935

To
Defense-Economic Group G-3
copy

transmitted

(signed) Jodl

H1228-0225



TRANSLATION OF DOCUMENT 2261-PS
OFFICE OF U.S. CHIEF OF COUNSEL
(Cont.)

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Copy

Reichs' Defense Law
of 21 May 1935

The Reichs Cabinet has enacted the following law that is hereby made public:

## Part I State of Defense

### ARTICLE 1.

The Fuehrer and Reichschancellor can declare a state of defense for the area of the Reich in case danger of war threatens.

### ARTICLE 2.

(1) With the declaration of a state of defense the entire power of execution devolves upon the Fuehrer and Reichschancellor. The Reichsminister of war exercizes it by his orders.

(2) The Reichsminister is empowered in the carrying out of the power of execution to issue legal regulations which may deviate from existing laws. He can, in order to enforce his regulation, threaten punishments and set up special courts.

### ARTICLE 3.

(1) The Reichsminister care to observe the instructions of the Reichsminister of war. They remain the highest Reich authorities within their realm of activity.

(2) The Reichsminister will in case of a state of defense effect the necessary measures and are empowered to issue legal regulations which may deviate from existing laws.

## Part II Mobilization

### ARTICLE 4.

(1) If conflict with an external enemy becomes unavoidable, the Fuehrer and Reichschancellor can order mobilization.

(2) The ordering of mobilization includes in itself the declaration of a state of defense according to Part I, in case the latter is not already proclaimed, without projudice to the directive of Article Six.

(3) With the ordering of mobilization a state of war in the definition of this law begins.

### ARTICLE 5.

The Reichsminister will effect the necessary measures in case of mobilization and are empowered to issue legal regulations which may deviate from existing laws.

H1228-0226



ARTICLE 6.

(1) The Fuehrer and Reichschancellor will appoint a plenipotentiary-general for war economy to direct the entire war econom

(2) It is the task of the plenipotentiary-general for war-econo to put all economic forces in the service of carrying on the wa and to secure the life of the German people economically.

(3) Subordinate to him are:

The Reichsminister for economy
The Reichsminister for food and agriculture
The Reichs labor minister
The Reichs forest master and all Reichs' agencies immediate subordinate to the Fuehrer and Reichschancellor.

Furthermore the financing of the war effort, (in the provinc of the Reichs finance ministry and of the Reichsbank) will be carried on under his responsibility.

(4) The plenipotentiary-general for war economy is authorized, within his realm of responsibility, to issue legal regulations, which may deviate from the existing laws.

Part III Setting of penalties and Conclusions

ARTICLE 7

Whoever purposely or carelessly acts in violation of a decree issued by authority of this law will be, insofar as a severer punishment is not stipulated according to other directives, punished with jail and with fine or with one of these penalties.

ARTICLE 8.

The Fuehrer and Reichschancellor will issue the necessary legal and administrative directives for carrying out of this law.

Berlin, 21 May 1935

The Fuehrer and Reichschancellor
(signed) ADOLF HITLER
The Reichsminister of war
(signed) VON BLOMBERG
The Reichsminister of the Inter
(signed) FRICK

Note
on the law for the defense of the Reich
of 21 May 1935

The publication of the law for the defense of the Reich of 21 M 1935 will be suspended. The law became effective 21 May 1935.

The Fuehrer and Reichschancellor
(signed) ADOLF HITLER

H1228-0227



Copy.

Copy. Decision of the Reichscabinet of 21 May 1935
on the Council for the defense of the Reich.

Supplementing the decision of the Reichscabinet of 4 April 1933 and 13 Dec 34 on formation of a council for defense of the Reich, the Reichscabinet has made the following decision:

1.) The plenipotentiary-general for war economy appointed by the Fuehrer and Reichschancellor will begin his work already in peacetime. At the suggestion of the chairman of the Council for the defense of the Reich, he will direct the economic preparations for war, insofar as they do not, in reference to the armament industry fall into the province of the Reichs' Ministry of war. In case of mobilization the following are subordinate to him:

Reichsministry of economic affairs
Reichsministry for food and agriculture
Reichsministry of Labor
Reich's forest-master and all Reichsoffices immediately subordinate to the Fuehrer.

In case of mobilization he will direct and be responsible for the financing of the war effort (in the province of the financeministry and the Reichsbank).

These ministries and the Reich's authorities are bound already in time of peace to observe his recommendations for the preparation of a war economy and the financing of the war-effort.

2.) The Reichsminister of War and the plenipotentiary for war economy will effect the preparations for mobilization in closest cooperation on both sides.

3.) The plenipotentiary-general for war-economy will be a permanent member of the Reich Defense Council (Reichsverteidigungsrat). Within the working committee he represents through his leadership staff the interests of war economy. The department heads (Referenten) for the defense of the Reich of the Ministries mentioned in Point I are bound by the recommendations of this leadership staff.

Foundation:

The State of War, an institution of the old law, as it was established in the old Reichsconstitution of 1871, the Prussian law on the state of siege of 4 June 1861 and the Bavarian law on the state of war of 5 Nov 1912, has been only incompletely replaced in Article 48 of the Reichsconstitution of II August 1919. Moreover, the provisions of Article 48 no longer correspond to the actual legal conditions.

The new law for the defense of the Reich should create clear legal bases for the transfer of the whole machinery of state from a state of peace to one of war. In this connection it was to be noted that a state of war can begin unexpectedly or from a state of foreign political tension. Since the time of such tension must be utilized as far as foreign political relations will bear, it in order to create a readiness for war in time, the law for the defense of the Reich provides two steps for the transfer from state of peace to state of war:

1. The state of defense
2. The mobilization

H1228-0228



For both steps of war preparation, the law gives the legal basis, upon which the individual measures of the Reichsdepartments can be built up as the council for the defense of the Reich instructs.

It is to be mentioned in regard to the provisions of the law in detail:

To Article 2

The exercise of the power of execution by the Reichminister of war under the Führer and Reichschancellor should emphasize the pressing necessity of all demands of the immediate conduct of the war and should guarantee their fulfillment.

To Article 4, Section 3

In numerous laws speical provisions for war are contained. It is therefore necessary, to establish the beginning of a state of war, in respect to times in order to create clear conditions for the administration of justice etc. Since, however, in a future war official declarations of war are not to be expected, as a result of which Article 42 Section 2 of the Reichsconstitution also is obsolete, the beginning of a state of war is to be considered as being at the same time as the beginning of the mobilization.

To Article 6

The experiences of the great war have demonstrated the necessity of including during a war the entire economy and the financing of the conduct of the war under unified leadership. The plenipotentiary-general for war-economy should according to the will of the Führer and Reichschancellor take over the responsible leadership and stands thereby independently along side the Reichsminister of war, the possessor of the power of execution, and responsible for realm of activity under the Führer and Reichschancellor.

---

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. 2261-PS

28 November 1945

I, FRED NIEBERGALL, 2nd Lt. Inf, O-1335567, hereby certify that I am thoroughly conversant with the English and German languages and that the above is a correct and true translation of Document No. 2261-PS.

FRED NIEBERGALL
2nd Lt Inf
O-1335567

TRANSLATION OF DOCUMENT 2261-PS
OFFICE OF U.S. CHIEF OF COUNSEL

C O P Y !

Berlin, 24 June 1.

The Reichs Minister of War
and Supreme Commander of the Armed Forces
No. 1820/35 Top Secret L. II a

TOP SECRET

To
The Supreme Commander of the Army
The Supreme Commander of the Navy
The Supreme Commander of the Air Forces

In the appendix I transmit one copy each if the law for the defence of the Reich of the 21 May 1935 and of a decision of the Reichs Cabinet of 21 May 1935 concerning the Reich's defense council. The publication of the Reich's defense law is temperrarily suspended by order of the Fuehrer and Reichschancellor.

The Fuehrer and Reichschancellor has nominated the President of the directorate of the Reichsbank Dr. Schacht be "plenipotentiary-general for war economy".

I request that the copies of the Reich's defense law needed within the units of the armed forces be ordered before 1 July 1935 at armed forces office (L) where it is to be established with the request that the law should only be distributed down to Corps Headquarters outside of the Reichministry of war.

I point out the necessity of strictest secrecy once more.

(Signed) von Blomberg.

---

No. 1820/35 L Top Secret II a

Berlin, 3 Sept 1935

To Defense-Economic Group G-3
copy

transmitted

(signed) Jodl

H1228-0229

H1228-0230



TRANSLATION OF DOCUMENT 2261-PS
OFFICE OF U.S. CHIEF OF COUNSEL
(Cont.)

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Copy

Reichs' Defense Law
of 21 May 1935

The Reichs Cabinet has enacted the following law that is hereby made public:

Part I State of Defense

ARTICLE 1.

The Fuehrer and Reichschancellor can declare a state of defense for the area of the Reich in case danger of war threatens.

ARTICLE 2.

(1) With the declaration of a state of defense the entire power of execution devolves upon the Fuehrer and Reichschancellor. The Reichsminister of war exercizes it by his orders.

(2) The Reichsminister is empowered in the carrying out of the power of execution to issue legal regulations which may deviate from existing laws. He can, in order to enforce his regulation, threaten punishments and set up special courts.

ARTICLE 3.

(1) The Reichsminister care to observe the instructions of the Reichsminister of war. They remain the highest Reich authorities within their realm of activity.

(2) The Reichsminister will in case of a state of defense effect the necessary measures and are empowered to issue legal regulations which may deviate from existing laws.

Part II Mobilization

ARTICLE 4.

(1) If conflict with an external enemy becomes unavoidable, the Fuehrer and Reichschancellor can order mobilization.

(2) The ordering of mobilization includes in itself the declaration of a state of defense according to Part I, in case the latter is not already proclaimed, without projudice to the directive of Article Six.

(3) With the ordering of mobilization a state of war in the definition of this law begins.

ARTICLE 5.

The Reichsminister will effect the necessary measures in case of mobilization and are empowered to issue legal regulations which may deviate from existing laws.

H1228-0231



ARTICLE 6.

(1) The Fuehrer and Reichschancellor will appoint a plenipotentiary-general for war economy to direct the entire war econom

(2) It is the task of the plenipotentiary-general for war-econo to put all economic forces in the service of carrying on the wa and to secure the life of the German people economically.

(3) Subordinate to him are:

The Reichsminister for economy
The Reichsminister for food and agriculture
The Reichs labor minister
The Reichs forest master and all Reichs' agencies immediate subordinate to the Fuehrer and Reichschancellor.

Furthermore the financing of the war effort, (in the provinc of the Reichs finance ministry and of the Reichsbank) will be carried on under his responsibility.

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ARTICLE 7

Whoever purposely or carelessly acts in violation of a decree issued by authority of this law will be, insofar as a severer punishment is not stipulated according to other directives, punished with jail and with fine or with one of these penalties.

ARTICLE 8.

The Fuehrer and Reichschancellor will issue the necessary legal and administrative directives for carrying out of this law.

Berlin, 21 May 1935

The Fuehrer and Reichschancello
(signed) ADOLF HITLER
The Reichsminister of war
(signed) VON BLOMBERG
The Reichsminister of the Inter
(signed) FRICK

Note
on the law for the defense of the Reich
of 21 May 1935

The publication of the law for the defense of the Reich of 21 May 1935 will be suspended. The law became effective 21 May 1935.

The Fuehrer and Reichschancellor
(signed) ADOLF HITLER

H1228-0232



Copy.

Copy. Decision of the Reichscabinet of 21 May 1935
on the Council for the defense of the Reich.

Supplementing the decision of the Reichscabinet of 4 April 1933 and 13 Dec 34 on formation of a council for defense of the Reich, the Reichscabinet has made the following decision:

1.) The plenipotentiary-general for war economy appointed by the Fuehrer and Reichschancellor will begin his work already in peacetime. At the suggestion of the chairman of the Council for the defense of the Reich, he will direct the economic preparations for war, insofar as they do not, in reference to the armament industry fall into the province of the Reichs' Ministry of war. In case of mobilization the following are subordinate to him:

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Reich's forest-master and all Reichsoffices immediately subordinate to the Fuehrer.

In case of mobilization he will direct and be responsible for the financing of the war effort (in the province of the financeministry and the Reichsbank).

These ministries and the Reich's authorities are bound already in time of peace to observe his recommendations for the preparation of a war economy and the financing of the war-effort.

2.) The Reichsminister of War and the plenipotentiary for war economy will effect the preparations for mobilization in closest cooperation on both sides.

3.) The plenipotentiary-general for war-economy will be a permanent member of the Reich Defense Council (Reichsverteidigungsrat). With in the working committee he represents through his leadership staff the interests of war economy. The department heads (Referenten) for the defense of the Reich of the Ministries mentioned in Point I are bound by the recommendations of this leadership staff.

Foundation:

The State of War, an institution of the old law, as it was established in the old Reichsconstitution of 1871, the Prussian law on the state of siege of 4 June 1861 and the Bavarian law on the state of war of 5 Nov 1912, has been only incompletely replaced in Article 48 of the Reichsconstitution of II August 1919. Moreover, the provisions of Article 48 no longer correspond to the actual legal conditions.

The new law for the defense of the Reich should create clear legal bases for the transfer of the whole machinery of state from a state of peace to one of war. In this connection it was to be noted that a state of war can begin unexpectedly or from a state of foreign political tension. Since the time of such tension must be utilized as far as foreign political relations will bear, it in order to create a readiness for war in time, the law for the defense of the Reich provides two steps for the transfer from state of peace to state of war:

1. The state of defense
2. The mobilization

H1228-0233



TRANSLATION OF DOCUMENT 2261-PS
Continued

For both steps of war preparation, the law gives the legal basis, upon which the individual measures of the Reichsdepartments can be built up as the council for the defense of the Reich instructs.

It is to be mentioned in regard to the provisions of the law in detail:

To Article 2

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To Article 4, Section 3

In numerous laws speical provisions for war are contained. It is therefore necessary, to establish the beginning of a state of war, in respect to times in order to create clear conditions for the administration of justice etc. Since, however, in a future war official declarations of war are not to be expected, as a result of which Article 42 Section 2 of the Reichsconstitution also is obsolete, the beginning of a state of war is to be considered as being at the same time as the beginning of the mobilization.

To Article 6

The experiences of the great war have demonstrated the necessity of including during a war the entire economy and the financing of the conduct of the war under unified leadership. The plenipotentiary-general for war-economy should according to the will of the Führer and Reichschancellor take over the responsible leadership and stands thereby independently along side the Reichsminister of war, the possessor of the power of execution, and responsible for realm of activity under the Führer and Reichschancellor.

---

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. 2261-PS

28 November 1945

I, FRED NIEBERGALL, 2nd Lt. Inf, O-1335567, hereby certify that I am thoroughly conversant with the English and German languages and that the above is a correct and true translation of Document No. 2261-PS.

FRED NIEBERGALL
2nd Lt Inf
O-1335567

EXCERPT AND TRANSLATION FROM DOCUMENT NO. 2409-PS
OFFICE OF U.S. CHIEF OF COUNSEL.

Auszuege aus GOEBBELS' Buch
"Vom Kaiserhof zur Reichskanzlei"
(Munchen, 1934). Tagebuch-
eintrag, 21 November 1932

S. 208

"In einer Unterredung mit Dr. Schacht stelle ich fest, dass er absolut unseren Standpunkt vertritt. Er ist einer der wenigen, die ganz konsequent zum Fuehrer stehen".

---

Excerpt from GOEBBELS' book
"Vom Kaiserhof zur Reichskanzlei"
(Munich, 1934).
Diary entry 21 November 1932.

Page 208

"In a conversation with Dr. Schacht I assured myself that he absolutely represents our point of view. He is one of the few who accepts the Fuehrer's position entirely".

---

CERTIFICATE OF TRANSLATION OF
DOCUMENT No. 2409-PS

5 December 1945

I, Edith Simon (civilian) certify that I am thoroughly conversant with the English and German languages and that the foregoing is a true and correct translation of the Document No. 2409-PS.

(Signed) EDITH SIMON.

H1228-0234

H1228-0235

DOCUMENT NO. 3021-PS
OFFICE OF U S CHIEF OF COUNSEL

## Statement of Governmental Positions

## Held by Dr. Hjalmar Schacht

1. Appointed President of the Reichsbank, 17 March 1933.
2. Appointed Acting Minister of Economics, August 1934.
3. Appointed General Plenipotentiary for the War Economy in May 1935.
4. Reappointed for one year as President of the Reichsbank, 16 March 1937.
5. Resigned as Minister of Economics, and appointed Minister without Portfolio, November 1937.
6. Reappointed for four-year term as President of the Reichsbank, 9 March 1938.
7. Dismissed from Presidency of the Reichsbank, 20 January 1939.

I am not certain about the date of point 3. The other dates are correct.

/s/ Dr. Hjalmar Schacht

H1228-0236

Exhibit USA 644
Filed Jan. 11, 1946

COPY OF DOCUMENT NO. L-104
OFFICE OF U.S. CHIEF OF COUNSEL

EMBASSY OF THE
UNITED STATES OF AMERICA

Berlin, November 29, 1937.

No. 3753

Subject: Translations of Hitler's Letter to Schacht Accepting his Resignation as Minister of Economics and of Schacht's Circular Communication to the Officials of the Ministry.

The Honorable,

The Secretary of State,

Washington, D.C.

Sir:

In supplement to the Embassy's telegram No. 283 of November 27, 1 p.m., I have the honor to enclose herewith a translation of the Reich Chancelor's letter to Dr. Schacht accepting his resignation from the Ministry of Economics and naming him Reich Minister without Portfolio. There is also enclosed a translation of Dr. Schacht's brief circular communication taking leave of the officials of the Ministry of Economics. This is considered of some interest inasmuch as it is the only public statement regarding his final resignation thus far made by Dr. Schacht.

At the present stage there is little to add to the comment contained in the Embassy's telegram under reference. The Department's attention is, however, invited to the following portion of Hitler's letter:

> ".....as President of the Reichsbank Directorium, you will make available for the German people and me <u>for many years more</u> your outstanding knowledge and ability and your untiring working strength."

This seems definitely to contradict the belief at one time widely held (see Embassy's telegram No. 255, October 27, 5 p.m.) that Dr. Schacht would not be reappointed to head the Reichsbank upon the expiration of his present presidential term on March 31, 1938. Furthermore, it has apparently given rise to the contrary rumour now current that on next April 1st Hitler will appoint Dr. Schacht Reichsbank President for a life term. This report was also carried in yesterday's edition of the NEUE ZUERCHER ZEITUNG.

Respectfully yours,

(Signed) William E. Dodd.

Enclosures:
No. 1. Translation of Chancelor's Letter.
No. 2. " " Dr. Schacht's Circular

800.2

HPL:GEB

H1228-0237



Enclosure No. 1 to despatch
No. 3753, dated Nov. 29. 1937
from the American Embassy,
Berlin, Germany.

Führer's Letter to Schacht
as quoted from
BERLINER TAGEBLATT of November 27, 1937.

"Berlin, W 8. November 26, 1937.

"Dear Mr. Schacht:

On July 30, 1934, you declared that you were prepared to take over and continue the tasks of the Reich Ministry of Economics for the period of the illness of the then Reich Minister of Economics Dr. Schmitt. Since then, in this office, you have performed extraordinary services for the new German Reich and me. For this reason I could not, hitherto, make up my mind to comply with your request, repeatedly presented in the course of the past years to be relieved of the Ministry. The combination with the Ministry of Economics which proves necessary as a result of the expansion of the apparatus of the Four Year Plan now permits me to take into account the grounds on which you again requested to be relieved of the tasks of the Reich Minister of Economics. If I accede to your wish it is with the expression of deepest gratitude for your so excellent achievements and in the happy consciousness that, as President of the Reichsbank Directorium, you will make available for the German people and me for many years more your outstanding knowledge and ability and your untiring working strength. Delighted at the fact that in future also you are willing to be my personal adviser, I appoint you as of today a Reich Minister.

"With German greeting,

Yours

sgd. Adolf Hitler"

HCF

H1228-0238



Enclosure No. 2 to despatch
No. 3753, dated Nov. 29. 1937
from the American Embassy,
Berlin, Germany.

Circular Letter from Dr. Schacht
to his Collaborators in the Reich Ministry
of Economics
(as quoted from BERLINER BÖRSEN ZEITUNG
of November 28, 1937)

"The Fuehrer and Reich Chancellor, at my wish, relieved me as of today of the tasks of the Reich and Prussian Minister of Economics. On departing from this office, which I held for over three years, I want to thank all the officials, employees, and laborers of the Ministry of Economics for their faithful cooperation. My appointment to direct the Ministry of Economics took place at a time when it was essential to guarantee the creation of employment and rearmament of the German people by increasing our raw material imports and by increasing domestic production of raw materials. With these few key-words I sketch the path which you, my collaborators, traveled with me in a decisive period of National Socialist economic reconstruction. Now that for quite some time the unemployment problem may be regarded as solved and our Fuehrer, supported by forces of defense which have become strong again, has in the last few years step by step liberated Germany from the degrading bonds of the Treaty of Versailles, you may all proudly realize that you also, no matter how restricted the field of activity of the individual may be, have been helpers in the achievement of these aims.

"It will always remain the decisive thing in our work whether we serve the German people with all the strength of our heart and brain. During my tenure of office it was my effort always to let this point of view be the most important criterion in judging every achievement. Let the general welfare in future as well be the guide of your action, and, true to the promise given our Fuehrer and unconfused by the business of the day, continue to keep only one goal before you: Germany! Heil Hitler!

"Dr. Hjalmar Schacht."

HCF.

COPY OF DOCUMENT NO. L-111
OFFICE OF U.S. CHIEF OF COUNSEL

Exhibit USA 630
Filed Jan. 11, 1946

EXCERPT from telegraphic report by Ambassador Davies from Moscow, dated 20 January 1937, of conversation with SCHACHT

A few hours before departure from Berlin I had most unusual visit with Schacht. It was expressly personal and specifically unofficial. Because of its unusual frankness and explicitness and comprehensiveness of its character the writer concluded to forward information by cable.

Schacht expressed the greatest admiration for the extraordinary abilities and powers of President Roosevelt in domestic matters and expressed the hope that these powers might be used for the preservation and establishment of world peace. He stated the following; that the present condition of the German people was intolerable, desperate and unendurable; that he had been authorised by his Government to submit proposals to France and England which would (1) guarantee European peace; (2) secure present European international boundaries; (3) reduce armaments; (4) establish a new form of a workable League of Nations; (5) abolish sanctions with new machinery for joint administration; all based upon a colonial cession that would provide for Germany an outlet for population, source for foodstuffs, fats and raw materials; such cession of colonies to be by joint agreement of other powers and with colonies themselves; that France was surprisingly agreeable thereto in principle and suggested that France approach England; that England flatly rejected the proposal; that he had tried to secure opportunity for informal discussions with the English Foreign Office but the overture was rejected.

Schacht earnestly urged that some such feasible plan could be developed if discussions could be opened; and that if successful would relieve European war menace, relieve peoples of enormous expenditures for armament, restore free flow of international commerce, give outlet to thrift and natural abilities of his countrymen and change their present desperation into future hope; that resulting therefrom the present artificial barriers of international commerce would be broken down and revision of currency control and other reforms would automatically follow.

Schacht stated he hoped the President would call an international conference in Washington. To this the writer suggested that possibly the President would be indisposed to become entangled in these matters unless there was some assurance of success. Schacht suggested that the conference should not be called unless situation had been practically agreed upon in advance; that matter for discussion should be used only as ancillary to the general purpose and as a cap to the whole arrangement; that the conference if called should not be called an "economic conference" but a "peace congress" or some such words.

Writer stated that in frankness he should observe that while peace loving people of the world sympathized with the straits of the German people, that there was nevertheless apprehension arising out of past aggressive acts, speeches (Nuremberg) and other publications that militarism, regimentation, persecution of races and religions indicated not a spirit of peace but a lust for conquest and domination. Schacht earnestly, and I believe sincerely, rejoined that these recent manifestations were simply an effort to restore the morale of the German people after years of disappointment as a democracy in its negotiations with powers for twelve years and "were the manifestations of the desperation and terrible plight of a people bottled up and being economically starved in a world of plenty". He intimated that armaments and the like were really trading stock to force a measure of justice upon realistic and selfish nations who had been enemies of his people.

In conclusion Schacht expressed greatest admiration for the President's Buenos Aires speech and the splendid results of Secretary Hull's conference there.

H1228-0239

COPY OF DOCUMENT NO. L-151
OFFICE OF U.S. CHIEF OF COUNSEL.

No. 1267 Paris, November 23, 1937.

Subject: Visit of Ambassador Bullitt to Warsaw.

STRICTLY CONFIDENTIAL FOR THE SECRETARY AND THE UNDER SECRETARY.

The Honorable,
The Secretary of State,
Washington, D. C.

Sir:

I have the honor to report that, in accordance with my telegram No. 1557 of November 4, 2 P.M., to the Department and the Department's telegram No. 563 of November 4, 3 P.M., to me, I left Paris, to visit Ambassador Biddle, on Saturday evening, November 13th at 6:15 P.M., arriving in Warsaw at 4:32 P.M., on November 14th. I left Warsaw at 10:20 P.M., November 17th, arriving in Berlin at 8:00 A.M., November 18th. I departed from Berlin on November 19th at 9:30 P.M., arriving in Paris at 9:55 A.M., on Saturday, November 20th.

In the course of this trip I talked with a number of statesmen and diplomats, and it has occurred to me that the Department of State might be interested in having more than a formal report of the dates of my journey. I append, therefore, memoranda recording portions of conversations with the following: 1. The
1/ Polish Minister for Foreign Affairs, Colonel Joseph Beck, Marshal
2/ Smigly-Rydz, and other members of the Polish Government; 2. The
3/ Japanese Ambassador in Warsaw, Shuichi Sakoh; 3. The Italian
4/ Ambassador in Berlin, Bernardo Attolico; 4. Baron Konstantin
5/ von Neurath; 5. Doctor Hjalmar Schacht; 6. General Hermann
6/ Goering.

Respectfully yours,

William C. Bullitt.

List of Enclosures:

1. Memorandum of conversation between Ambassador Bullitt and Colonel Beck, Marshal Smigly-Rydz, and other members of the Polish Government.
2. Memorandum of conversation between Ambassador Bullitt and the Japanese Ambassador in Warsaw.
3. Memorandum of conversation between Ambassador Bullitt and the Italian Ambassador in Berlin.
4. Memorandum of conversation between Ambassador Bullitt and Baron Konstantin von Neurath.
5. Memorandum of conversation between Ambassador Bullitt and Doctor Hjalmar Schacht.
6. Memorandum of conversation between Ambassador Bullitt and General Hermann Goering.

WCB:CO/lhh



H1228-0240

COPY OF DOCUMENT NO. L-151

Enclosure No. 5 to Despatch No. 1267 of
November 23, 1937, from the Embassy at Paris.

MEMORANDUM OF A CONVERSATION BETWEEN AMBASSADOR BULLITT AND DOCTOR HJALMAR SCHACHT.

I had a conversation with Doctor Hjalmar Schacht which was not altogether without interest. Schacht began by saying that he regretted greatly that nothing had come of his two visits to Paris in the course of which he had attempted to establish the basis for a Franco-German rapprochement. He said that he had found Blum extremely reasonable with regard to the colonial question. He then went on to speak of the absolute necessity for doing something to produce peace in Europe before the outbreak of war toward which the Continent was drifting. He prefaced his remarks by saying that he himself today was "completely without influence on that man," meaning Hitler. He seemed to regard himself as politically dead and to have small respect for "that man." He said that the one way he could see to peace was through direct negotiations between France and Germany. He did not believe that the conversations which Halifax was about to have with Hitler would lead to any considerable results. Hitler was furious with the British because he had made his one great gesture of political generosity toward the British and the British had not responded by any similar gesture. He had offered to limit the German fleet and the British had quietly pocketed this concession and had then made none of the corresponding gestures toward Germany that Hitler had anticipated.

Schacht said that in his opinion the best way to begin to deal with Hitler was not through political discussions but through economic discussions. Hitler was not in the least interested in economic matters. He regarded money as "filth." It was, therefore, possible to enter into negotiations with him in the economic domain without arousing his emotional antipathies and begun to lead him into arrangements in the political and military fields in which he was intensely interested.

Hitler was determined to have Austria eventually attached to Germany and to obtain at least autonomy for the Germans of Bohemia. At the present moment, he was not vitally concerned about the Polish corridor and in his (Schacht's) opinion, it might be possible to maintain the Corridor provided Danzig were permitted to join East Prussia and provided some sort of a bridge could be built across the Corridor uniting Danzig and East Prussia with Germany.



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H1228-0242

COPY OF DOCUMENT NO. L-151

Enclosure No. 6 to Despatch No. 1267 of
November 23, 1937, from the Embassy at Paris.

MEMORANDUM OF CONVERSATION BETWEEN AMBASSADOR BULLITT AND GENERAL HERMANN GOERING

I said to General Goering as soon as I met him that I should be extremely glad to have his ideas on the prospects of peace and war in Europe and that I wished he would begin by telling me what he thought of Germany's relations with France.

Goering said that there was no direct conflict whatsoever today between Germany and France. Germany had given up entirely and forever the idea of regaining Alsace-Lorraine. Germany had learned through long experience that the people of Alsace and Lorraine would inevitably be against whichever of the two countries happened to have the sovereignty over Alsace-Lorraine at the moment and would be permanently a source of discord within the country to which they were attached. Germany did not desire to have any half-loyal citizens and, therefore, had not the slightest desire for a return of Alsace-Lorraine to the German Reich.

In addition, the economic systems of France and Germany were completely complementary. It should be possible to develop to a much greater extent the exchange of all sorts of products between France and Germany.

Furthermore, the French had contributed so much to the culture of Germany and the Germans had contributed so much to the culture of France that as two civilized peoples who lived side by side they had a deep underlying esteem for each other. Furthermore, the French and the Germans respected each other as brave soldiers and courageous peoples who were ready to die for their respective countries. In addition, the French Government had indicated that it was prepared insofar as it was concerned, to return the German colonies which had been transferred to France by the Treaty of Versailles. There was, unfortunately, the proviso that France would only take this action if Great Britain were prepared to make a similar concession.

There was, therefore, no cause of discord whatsoever in the direct relations between France and Germany to prevent the closest sort of friendship between the two countries. So far as Germany was concerned, he could say with authority that Germany today was prepared to conclude at once an offensive and defensive alliance with France.

The sole source of friction between Germany and France was the refusal of France to permit Germany to achieve certain vital national necessities. If France, instead of accepting a collaboration with Germany, should continue to follow a policy of building up alliances in Eastern Europe to prevent Germany from the achievement of her legitimate aims it was obvious that there would be conflict between France and Germany.

I asked Goering what aims especially he had in mind. He replied, "We are determined to join to the German Reich all Germans who are contiguous to the Reich and are divided from the great body of the German race merely by the artificial barriers imposed by the Treaty of Versailles."

H1228-0243



I asked Goering if he meant that Germany was absolutely determined to annex Austria to the Reich. He replied that this was an absolute determination of the German Government. The German Government at the present time was not pressing this matter because of certain momentary political considerations, especially in their relations with Italy; but Germany would tolerate no solution of the Austrian question other than the consolidation of Austria in the German Reich. He then added a statement which went further than any I have heard on this subject. He said, "There are schemes being pushed now for a union of Austria, Hungary, and Czechoslovakia either with or without a Hapsburg at the head of the unit. Such a solution is absolutely inacceptable to us, and for us the conclusion of such an agreement would be an immediate casus belli." (Goering used the Latin expression casus belli. It is not a translation from the German, in which our conversation was carried on.)

I asked Goering if the German Government was as decided in its views with regard to the Germans in Bohemia as it was with regard to Austria. He replied that there could be only one final solution of this question. The Sudeten Germans must enter the German Reich as all other Germans who lived contiguous to the Reich.

I asked if the German Government might not be content if the Czech Government should accord to the Germans of Bohemia a large measure of local autonomy while keeping them under Czech sovereignty. Goering replied that such a concession on the part of the Czechoslovak Government would lead to a temporary appeasement of the situation; but the autonomy would have to be real autonomy and such a solution would not be a final solution. There could be no final solution but the inclusion of these Germans within the Reich.

I asked Goering how he viewed the case of the Germans in other portions of Europe; notably the Germans of Transylvania. He replied that these racial groups were cut off from the main body of the German people and could not, therefore, be joined to it. All that Germany would insist upon would be that they should be treated as equals with equal rights and be permitted to retain their cultural life. The situation of the Germans in Transylvania was extremely unsatisfactory. On the other hand, the Yugoslavs had treated the Germans within their borders with such conspicuous intelligence and fairness that the leaders of the Germans of Yugoslavia had informed him recently that they had no real grievances and that they would resist to the utmost any arrangements in Europe which might envisage their return to Hungary.

Goering then added that the only other two considerable German racial groups which would lie outside the borders of the German Reich, after the Germans of Austria and Bohemia had been included, would be the Germans of the South Tyrol who were now in the hands of Italy and the Germans in Poland. He did not feel that there was a sufficient number of Germans in Italy to warrant a major war for their attachment to the Reich. Similarly the Germans of Poland would have to stay where they were because there were a considerable number of Poles in Germany and all that either Poland or Germany could expect would be that these minorities should be treated on each side of the border with the greatest human consideration.

Goering went on to say that the idea that Germany had any ambitions to annex the Ukraine was pure nonsense. I suggested that one of the reasons it was nonsense was that it would involve first the conquest of Poland and then the conquest of the whole of Central Europe before it could become realizable.

Goering replied that this was so and that in addition Germany had no desire to have territory in Europe except territory inhabited by Germans.

I thanked Goering for giving me such a clear expression of Germany's intentions with regard to the Continent and asked him if he would pass on to the colonial field.

Goering said that Germany's demands in the colonial field were well known. They were for a return of the German colonies which had been taken away from Germany by the Treaty of Versailles. Germany had no right to demand anything but these colonies. On the other hand, Germany had no desire to be stiff-necked about this matter. If England should not wish to return German East Africa or German Southwest Africa, for military and other reasons, Germany would make no objection if England could make an arrangement, financial or otherwise, with Portugal and Belgium for the giving to Germany of Portuguese and Belgian colonies in West Africa which would compensate Germany for the loss of her East African possessions. It was idle to say that Germany could not get raw materials of great value from African colonies; for example, the Cameroons. It was entirely true that today the Cameroons had been very little developed and were producing very little, but with German intelligence and energy applied to them, they could be made to produce materials of the greatest value to Germany. The same was true of many other areas in Africa which today were undeveloped or under-developed. The essential problem for Germany was to feed and maintain her people at a decent standard of living. It was entirely clear that with the increase of population in Germany the soil now in the hands of Germany would be insufficient to maintain this increasing German population. Before the war, when barriers to international trade had been low, it had been possible for Germany to maintain herself by her great international trade. Today barriers were so high that this would soon become impossible He hoped that there might be a reduction of such barriers and that Germany could find increasing markets for her products but she could not feel safe unless she had a colonial domain which would give her access to her own raw materials.

Goering then went on to say that he deplored greatly the present state of trade relations between Germany and the United States. The trade between the two countries was ceasing to be of any importance which was contrary to all reason. Indeed, Germany was almost isolated from the United States. There were certain countries with which Germany had good relations; and certain countries with which Germany had bad relations; but with the United States, Germany had no relations at all. He then asked me why I believed there was such hostility to Germany in the United States.

I replied that there were many sources of this hostility. All Americans were devoted to the ideal of democracy. There had been a democratic government in Germany, or at least the semblance of a democratic government, which had been destroyed and replaced by Nazi dictatorship. Any governing group which destroyed democracy to replace it by dictatorship would always be unpopular in the United States. Furthermore, the German Government had at the same time attacked with the utmost violence the Jews, the Catholic



H1228-0244

H1228-0245



Church and the Protestant Church. The reaction in America among Protestants, Catholics and Jews had, therefore, been natural, immediate, and intense.

Goering then protested, saying that he was informed that people in the United States believed that the National Socialist Government was attempting to set up a heathen church in Germany. I replied that this was so. He said that it was true that within the Nazi Government there was a small group of people who desired to see a return to the Norse gods, but he could assure me that this movement was completely without importance and did not include more than one percent of the Nazi Party. So far as he, himself, was concerned, he was a Protestant and still attended church services. He had been to church recently on the occasion of the confirmation of his nephew. He thought that the violence of the reaction in the United States probably was due to the Jews. I replied that in some measure it was due to the Jews as was only natural, but that it was not only the Jews but all Americans who were shocked and horrified by the treatment of the Jews in Germany and that the attacks on the Catholic Church and the Protestant Church and on democracy and human freedom were factors of equal importance.

I then added that there was an additional element which was playing a certain role at the moment. It appeared that the Nazi Government was engaged in forming Nazi organizations in the United States. Neither the Government nor the people of the United States could tolerate the formation on their soil of any national group or other group directed by any foreign country. We could not permit Hitler, Stalin, Mussolini or any other dictator to organize groups of agents in the United States. If we should do so, we would soon cease to be a nation and become a mere battleground for the conflicting ambitions of foreign dictators.

Goering said that he considered this entirely reasonable and understandable and if he were an American would certainly not tolerate the slightest interference by any foreign agency in the life of the United States. The German Government had forbidden any German citizen to participate in any way in the formation of such groups. He believed that I would find that such groups were formed by American citizens of German origin. I replied that I felt quite certain that such groups would not be formed without the approval and desire of the German Government. Goering then said: "It is true that certain persons in our Government here believe that we should attempt to organize the Germans, especially of the Middle West, because they feel that if if Germany should again become involved in war with France and England, there would come a moment when the United States might again consider entering such a war against Germany and they believe that such groups of organized Germans in the United States might throw their influence decisively against a declaration of war and might prevent the United States entering such a conflict.

I then said that I could merely remind him of two things: The first, that the organization of German groups in the United States during the late war had aroused hostility throughout the entire country against Germany. The second, a conversation which had taken place during the World War between our Ambassador to Germany, Mr. James Gerard and Zimmerman, who was Acting Secretary of State for Foreign Affairs of the Reich at that time. Zimmerman had stated to Gerard that the United States could not enter the war because there were five million Germans in the United States who would prevent by force, if necessary, any such action. Mr. Gerard had replied that if there were five million

H1228-0246



Germans in the United States who would prevent by force, if necessary, any such action, there were five million and one lamp posts. Goering did not seem to get the point with absolute clarity. I, therefore, added, "and you will understand that, if, as you have said, there are six million Germans in the United States today, who could be organized to influence the action of the United States Government, there are a great many more than six million tree limbs on which to hang them."

Goering seemed to find this remark entirely reasonable and in a more friendly and intimate tone asked, "What then can we do to improve our relations with the United States?" I replied that he had an excellent ambassador in Washington at the moment who could doubtless inform him better than I could on this subject.

I then asked Goering for his views with regard to the Far East. He said that he believed the Japanese would win the war and succeed in imposing on China precisely what they should desire to impose. I asked Goering if he knew precisely what that was. He said that he believed that the Japanese aim was to organize the Northern Provinces of China thoroughly as a base from which to attack the Soviet Union, since it was obvious that Japan would be compelled to attack the Soviet Union owing to the geographic position of Vladivostok. The Japanese desired to have Central and South China in relative chaos and impotence until they had finished with the Soviet Union.

At this point, Goering asked me why the United States had begun to build battleships for the Soviet Union. I replied that I had no information to the effect that the American Government was building battleships for the Soviet Union and I considered such a report highly improbable. Goering said that his information indeed was rather vague on this point.

I asked him what his views were with regard to the Soviet Union at the present time. He said that in his opinion the Red Army on the European frontier had ceased to be a serious fighting force if indeed it had ever been one. He said that the reports of the prowess of Soviet aviation in Spain were extraordinarily misleading. German officers in Spain had analyzed in detail the debris of all Soviet planes that had been shot down behind Franco's lines. They had discovered that every Soviet plane which had flown with conspicuous success in Spain had been of American manufacture. I asked him if he meant manufactured in Russia on American models. He replied in the negative, and said that the Russians had actually sent to Spain not planes manufactured in Russia on American models but planesevery part of which had been manufactured in America. That explained the excellent performance of those particular planes. All his information was to the effect that planes actually manufactured in Russia copying American models were of such inferior workmanship that they could not compare with planes actually built in America. Furthermore, this wastrue with regard to all Soviet industrial products. They might turn out five thousand tractors in a year but it was extremely improbable that a single one of those tractors would be running two years after it had been put in use. Furthermore, the service of supply of the Russian Army today was in as lamentablecondition as it had been in the time of the Czar. In the time of the Czarthe Russian Armies at the front were frequently without food or munitions. The service of supply then had been controlled largely by Jews. It was still controll largely by Jews and, if the Soviet Union should attempt to make war on the European frontier, he would expect a complete

H1228-0247



collapse of the Soviet Armies because of bad organization. He did not think that today there was the faintest change of the Soviet Union attempting any offensive operations on the European frontier.

Goering said that he believed the Soviet Army in the Far East was better organized than the Soviet Army on the European frontier; but he felt confident that in spite of the increasing weakness of Japan, the Soviet Union would not dare to intervene in the Sino-Japanese conflict. He then said that the Japanese Army had shown itself to be considerably weaker than expected and that the Chinese, with totally inadequate weapons, had made a very fine defense due in part, he felt, to the presence of German staff officers with the Chinese armies.

Goering then said that he was surprised to learn that the United States was building battleships which could not possibly pass through the Panama Canal. I replied that I believed his statement was entirely erroneous. He said that he could not admit this; that his information was positive. The newest American battleships could not possibly go through the Panama Canal. I told him that we would have to disagree on this point. He then said that no matter whether we could put our new battleships through the Canal or not, we could do nothing in the Far East to interfere in any way with Japan.

I was indiscreet enough to remark that the combined American and British fleets might be powerful enough to do something although neither Great Britain nor the United States had any desire for conflict with Japan. Goering replied, "You know that the British Fleet can not operate anywhere at the present time. It is completely pinned down by ourselves in the North Sea and by the Italians in the Mediterranean."

Goering then said that he hoped I realized there was an intense desire on the part of the German Government to develop better relations with the United States and on this note, pleasantly, our conversation ended.

H1228-0248

EXCERPTS

Testimony of Hjalmar Horace Greeley
Schacht taken at "Dustbin", July 11, 1945, 1050
by C.J. Hynning.

Pages 6 and 7

Q. What were differences between you and HITLER in 1937 when you left the Ministry of Economics ?

A. He had put GOERING in command of the Economy - everything. He also wanted to command over the affairs of the Ministry of Economics. I was opposed to that. I objected to that and asked my dismissal.

Q. Did you ask for a dismissal ?

A. I asked for a resignation for dismissal. He had to dismiss me. I had asked for that. I told him that I did not want to conduct that ministry under the order of GOERING.

Q. What month was that ?

A. August 1937. I think beginning of August '37. It took me two and a half months to get my resignation.

Q. GOERING was appointed chief of Four Year Plan in October 1936. Your disagreement arose approximately one year later.

A. Nine months later - July 1937.

EXCERPTS FROM INTERROGATION OF DR.
HJALMAR SCHACHT on 20 July, 1945
at 2.45 p.m. at "Dustbin"
Interrogator: C.J. Hyming

Exhibit USA 615
Filed Jan. 10, 1946

Pages 23 and 24

Q. When did you next see Goering ?

A. He invited me to a party in his house for the first of January 1931, where I met Hitler.

Q. Did you meet anybody else ?

A. At that party Fritz Thyssen was also present, and that evening Hitler made a long speech, for almost two hours, although the company was a small one.

Q. Was that a monologue ?

A. An entire monologue and everything that he said was reasonable and moderate that night.

Q. What did he say ?

A. Oh, ideas he expressed before, but it was full of will and spirit.

Q. What did he say ?

A. He elaborated his program as it was outlined more extensively in his book.

Q. And in the party platform ?

A. Yes, also the party platform. But the platform is very short and brief, it is not so full of general phrases.

Q. Were there any prominent officers present ?

A. No.

Q. Any industrialists like Fritz Thyssen ?

A. No.

Q. What was your impression at the end of that evening ?

A. I thought that Hitler was a man with whom one could cooperate.

Q. Did you think he was a man of the future and that you had to deal with him as a man of the future ?

A. Well, I could not know that at the time.

Q. Did you think it desirable to join the Nazi Party at that time ?

A. I can't tell you as to that time, but if his ideas, which he developed that night, were backed by a big party, as it seemed to be, I think that one could join that group for public purposes.

H1228-0249

H1228-0250



Pages 27 and 28

Q. Let us then direct our attention to February and March 1933. I have been told by Goering and by Funk and Baron von Schnizler and also by Thyssen, that there was a meeting held in the house of Goering of certain prominent German industrialists at which you were also present in 1933. This was after Hitler became chancellor but before the elections of that spring. Hitler came into the meeting and made a short speech and left. Then, according to the testimony of Funk, you passed the hat. You asked the industrialists to support the Nazi Party financially to the tune of approximately 7, 8, 9 or 10 million marks. Do you recall that ?

A. I recall that meeting very well. And I have answered the same question to Major Tilley. It must be in one of my former memorandums or in the hearings done by Major Tilley. As far as I remember, the meeting was not in Goering's house, but in some hotel room I think, or some other more public room. After Hitler had made his speech the old Krupp von Bohlen answered Hitler and expressed the unanimous feeling of the industrialists to support Hitler. After that I spoke for the financial part only, not on political principles or intentions. And the amount which I collected was 3 million marks. The apportionment amongst the industrialists was made not by me but by they themselves and the payments afterwards were made to the bank of Delbruck Schickler. The books will certainly show the amounts which were paid in and which went to the party. I had nothing to do with that account. I just played the role of cashier or financial treasurer at the meeting itself.

H1228-0251

Exhibit USA 628
Filed Jan. 11, 1946

EXCERPTS FROM INTERROGATION OF DR. HJALMAR SCHACHT on 24 August 1945, at 10:45 a.m. at "Dustbin"
Interrogator: C.J. Hynning

Pages 83 and 84

Q. This was at the Paris Conference, 16 April 1929 -- you are quoted as having made this statement: (Read from page 3, in German.)

A. It may be that I have made such a statement.

Q. It reads: "Germany can generally only pay if the Corridor and Upper Silesia will be handed back to Germany from Polish possession and if besides somewhere on the earth colonial territory will be made available to Germany". As I remember our last interrogation, those sentiments are still yours.

A. I think the sentiment has been made useless by the following events. That Germany could not pay at the time after I made the statement has been proved, and that Germany will not be able to pay after this war will be proved in the future.

Pages 89 to 103

Q. How, under this law, was foreign exchange allocated ?

A. All of this is in the law, and I don't know why you ask me. We can talk for years, and I cannot tell any details of these things. The provisions of the laws are there, and they had to be executed, and they were executed orderly and correctly by everybody who had to work under the law.

Q. You were in complete sympathy with the law ?

A. Whether I was in sympathy or not did not matter at all. I had to carry out the laws.

Q. Did you ever take any measures to change the law or to recommend any change in the law which would be taken as evidence of your not being in sympathy with it.

A. As long as I was in the Ministry of Economics, I had no vote in the Government at all, and did not interfere with Government.

Q. You may have had no vote, but you had a voice.

A. When I saw that things were intended which I did not like, I must have raised my voice, and certainly did it.

Q. Did you raise your voice against this particular law at any time ?

A. I don't remember.

Q. I take it that if you had raised your voice against a law of this importance, you would remember.

A. Maybe.

H1228-0252

Q. Did you have any previous knowledge of this statute ?

A. Not the least. I don't remember the details of this statute.

Q. You were not consulted in any way prior to its enactment ?

A. Certainly not.

Q. Since for some time you had to administer the Reichsbank's responsibilities under this law, did your experience result in your concluding that it had any defects and, if so, what were the nature of these defects ?

A. It had certainly no defects big enough to alter.

Recessed for lunch

Q. I am going to ask you this afternoon regarding some statutes and regulations, and my primary interest in them is economic rather than raising the technical points of law. You were head of the Reichsbank on June 9, 1933 ?

A. Yes, sir.

Q. At that time the Reich Government decreed a law entitled "Law Governing Obligations to Pay Foreign Creditors".

A. Yes.

Q. That was a law in whose formulation you had participated ?

A. Yes.

Q. Briefly, what circumstances resulted in the proposal and adoption of this statute ?

A. The lack of devisen. We had no foreign means to pay.

Q. A quick reading of the statute would indicate that the statute was drawn in such a way as to give you, as head of the Reichsbank, very complete, almost dictatorial powers in the situation.

A. Only as far as the execution of the law was concerned.

Q. In respect to the execution of the law, it gave you very sweeping power.

A. I don't think it is sweeping power. What do you mean, sharp ?

Q. I will read several phrases to illustrate: "Rates of exchange fixed by the Reichsbank shall be deemed rates computed as defined under this law.---The Conversion Bank---is under the supervision of the Reich Directorate. ---The Reichsbank Directorate appoints the responsible officials.----The time for payments of such credits shall be determined by the Reichsbank.---The Reich Minister of Economic Affairs may with the approval of the Reich Directorate permit exceptions to this law". In other words, that power was vested in you ?

A. Yes.

Q. The bank which was created --

A. It was not a bank. It was simply bookkeeping and cash office.

H1228-0253

Q. It was a corporation ?

A. It was an institution of the Government.

Q. It was placed under the supervision of the Reichsbank ?

A. I don't remember. I think it was a Government office, but that I don't remember.

Q. And the Reichsbank Directorate appointed the responsible officials ?

A. Yes.

Q. As head of the Reichsbank, you would have exercised that appointing power ?

A. Certainly, if it says in the law.

Q. It also was in your power to determine when the claims of the creditors should be paid ?

A. What does it say in the law ?

Q. "The time for payments of such credits shall be determined by the Reichsbank".

A. Maybe, yes.

Q. The Reich Minister of Economic Affairs, together with the Reichsbank Directorate, could grant exceptions to the law ?

A. Yes.

Q. In view of that language, you would agree that you had very full powers under that law in respect to the foreign creditors ?

A. Yes.

Q. Do you recall whether you signed that statute ?

A. I don't think so. It was a law, wasn't it ?

Q. Yes.

A. Then it must have been signed by the Chancellor and the Minister of Economics. Whether I signed it or not, I agreed with it.

Q. Under this law, exceptions were granted ?

A. I do not think any exceptions have been made. I think that was just a facility which was in the statute in case events required such exception.

Q. There is a phrase here which I will ask you about. "The remaining legal affairs of the Conversion Bank are regulated by the by-laws issued by the Reich Minister of Economic Affairs with the approval of the Reichsbank Directorate". What remaining legal affairs of the Conversion Bank would there be that this covers ?

A. I don't know, sir, I don't remember. Maybe the pensions of the officials, and gratuities -- the payment of the officials or something. I don't know what it is. Certainly minor affairs.

H1228-0254

Q. In connection with this legislation, by-laws were adopted which raised some questions in my mind which I would like you to answer. I would like to have your answers provide a brief explanation of the operation of the institution. The by-laws provided for: "The Bank may issue notes ('Schuldscheine') for deposited sums, payable in Reichsmarks and not bearing interest. Provision for the redemption of these notes shall be laid down by the Reichsbank Directorate."

A. That term does not mean notes. It means bonds.

Q. Then this further provides: "the Conversion Bank may issue interest-bearing scrip in the nominal amount of the obligation or its equivalent --."

A. It is all provided. How far it was executed, I don't recall.

Q. I will ask you for a brief description of the operations of this bank.

A. We could not pay any more the foreign creditor, but we did not want the German debtor to become released of his debt because it was only the problem of transfer involved, so the debtor had to pay to the conversion office and thereby was released of his debt, but the conversion office held that money on account of the creditor, and the intention was to pay the creditor as far and as soon as transfer would be made possible.

Q. It provides here: "It can accept payments from foreigners which eminate from blocked or registered accounts, and credit them to account". Can you explain that operation? This conversion bank served at times to transfer funds from Reichsmarks accounts of the foreigner to the foreigner in his own currency ?

A. Yes. You see it provides for all possibilities. If you make a statute, you have to include everything.

Q. This statute appears to put the foreign creditor completely at the mercy of the Reichsbank.

A. Entirely. (pause) Entirely, as far as transfer was concerned. With their money inside Germany they could do what they liked. As to their German money there were several possibilities opened up to them to place that money.

Q. Do you wish to expand on that ?

A. I think that is sufficient. Everybody will understand.

Q. How long did this conversion bank function ?

A. Up to now.

Q. "Starting with July 1, 1934, the Conversion Bank offered to the foreign creditors for the amount of investment proceeds paid into the accounts in the Conversion Bank long-term interest-bearing bonds, payable in Reichsmarks which were guaranteed by the German Reich is a series of laws. These bonds could be exchanged with the Golddiskontbank for a limited amount of free exchange at a very substantial discount from the par value of the bond". Wasn't the effect of that a substantial reduction in the payment of principal and interest to the foreign creditor?

A. I think so.

H1228-0255

Q. You stated a little earlier in connection with this legislation that its sole purpose was to provide more devisen.

A. That was not the purpose -- to provide devisen -- but to state that we had no devisen. How can I get devisen by not paying ? If I don't pay I can't get devisen.

Q. The purpose of this legislation was to make available for other purposes such devisen as was in the control of the Reich?

A. Yes.

Q. Would you care to elaborate on the other purposes ?

A. Yes, it would be interesting. The other purposes were to get devisen for the import of foodstuffs and raw materials in order to carry on German economic life and to feed the population.

Q. At this time, the Nazi Regime having been in power for some months, devisen was needed in connection with their requirements for the beginning of the rearmament program ?

A. The rearmament was started a good time later only.

Q. Measuring time in days ?

A. In months.

Q. Possibly the final production, but the initial stages ?

A. I don't think so.

Q. This legislation provided a basis for conserving devisen for a number of purposes which included such requirements for rearmament as there might be?

A. I don't know whether that was the intention.

Q. As I recall, you have already stated in earlier testimony that the rearmament program of the Nazis started in 1933 ?

A. I cannot give the exact date.

Q. It clearly was the purpose of this legislation together with the purposes which you have already stated, to free devisen for the economic and political purposes of the Nazi regime.

A. I did not say for political purposes.

Q. I am not quoting you. I am stating that it was for that purpose.

A. For an economic life, industrial life, and for feeding the people.

Q. And for political purposes of the Regime ?

A. I don't know. And I certainly don't know how many devisen were needed or wanted for political purposes unknown to me.

Q. You wouldn't say that you were entirely ignorant of the political purposes of the Nazi Regime from the time they came into power until you left office? That would be an astounding statement.

H1228-0256

A. Yes. I want to make the astounding statement that Hitler hid his political intentions from his collaborators, including the Ministers and other high officials.

Q. You designate yourself as a collaborationist ?

A. Certainly. I was in office under his Regime.

Q. You are acquainted with the decree of September 4, 1934, entitled "Commodity Exchange Decree"?

A. Yes. That is the first of these laws here, or decrees. I initiated it.

Q. And I believe you signed it ?

A. Certainly.

Q. Would you tell us the reason for its initiation ?

A. Yes. We had not sufficient devisen to let everybody buy in foreign countries what he liked, because the few devisen which we earned had to be used for those things which were most necessary for the economic life of Germany, so we had to take control of these purchases. We could not any more allow people to buy where they wanted and use the devisen therefor, but we had to buy in countries where at the same time in exchange we could sell our products in order to be able to pay for the goods we bought.

Q. This constituted a very broad extension of your powers ?

A. Yes. This is what they have always called the barter agreements with foreign countries.

Q. In effect, in respect to most commodities, it made you a virtual czar.

A. Not quite, sir. The industries were organized in self-governing bodies which were called Überwachungsstellen, and the czarism was used only in close cooperation with the self-governing bodies.

Q. To use a hypothetical example -- to explain in part the mechanism and to have you interpret the statement which you just made, if for rearmament or other purposes the steel industry in Germany needed more raw material, they would state that need to you and you would, on the basis of your discretion, approve their requirements or tell them what they could have ?

A. I cannot say here without having been in touch with my assistant officials in what way the decree functioned in any special case.

Q. And the officials you would want to consult were, by name ?

A. I have already stated in my written statement that I do not remember who they were, but you can easily find out by asking in the Economic Ministry in Berlin.

Q. The men that you had to consult on these major problems you do not recall ?

A. The man at the head of the total organization of Überwachungsstellen was Mr. Brinkmann.

H1228-0257

Q. He could answer a question of the character I just asked you ?

A. Entirely.

Q. I will read you the first section of this decree: "Section 1. Authorization. The Reich Minister of Economic Affairs is authorized to supervise and regulate transactions in commodities, particularly to determine and adopt measures with respect to their content, distribution, storage, sale, use, and process". That language is very broad. It would appear to have given you power to channelise all raw materials and semi-finished goods so that the course of German economy was in your control under this statute. Do you agree ?

A. Yes.

Q. How broadly was this term "storage" interpreted in the operations under this statute ? In other words, under the terms of this statute, if you were to stockpile certain strategic commodities, this authorized that type of operations ?

A. Certainly.

Q. And I take it that under this authorization you were responsible for the stockpiling of the strategic commodities ?

A. In what way responsible ? What do you mean by that ?

Q. I mean by that that the statute authorized that type of action.

A. Yes.

Q. And that in carrying out your responsibilities, for which you had wide discretionary powers under this statute, these strategic commodities were in a number of instances stockpiled in substantial amounts ?

A. I don't know whether they have been, but the possibility was given in the law.

Q. It wouldn't surprise you if proof were offered that it had been done ?

A. I wouldn't care. Things I don't know, don't interest me. Couldn't we perhaps shorten the whole interrogation by asking me really what you want to know? You mean that I was responsible for the armament and so on ? What is it you would like me to tell you ?

Q. It may be by asking you specific questions --

A. Will you allow me to make a statement on armament ?

Q. Go ahead.

A. It seems to me that the answers and statements which I have given at former interrogations do not circulate among the various interrogators. It would help greatly if this could be done, because there are so many interrogators, and always new and changing, that it takes very much time to answer always the same questions. I have in former statements very frankly admitted that I was entirely in favor of rearmament. I have

H1228-0258

given the reasons for my opinion and I have stated how far with these rearmaments I wanted to go. I have stated further that when rearmaments exceeded the amount which I had intended and when I felt that this rearmament might lead to war, I have refused all further cooperation. I have even endeavoured very hard to stop further armaments because I was decidedly against war. And when I felt that Hitler wanted to go to war or might aim at war I turned 180 percent against him. Already in 1938 I participated in the first attempt to do away with Hitler. I take the full responsibility for my cooperation in the rearmament up to 1938, but not the least for the following time.

Q. The Munich incident was in September 1938, at which time, if historians are to be believed, on the basis of Germany's rearmament up to that time Adolf Hitler threatened the western powers with war. You did not resign prior or immediately after Munich -- you continued in the Hitler Government.

A. An official under the Hitler Regime could not resign without his approval. I had to manage it so as to be released by him, which I did and succeeded in my dismissal 21 January 1939.

Q. Let us continue. Prior to your self-serving statement in respect to rearmament, you indicated that you did not know, and inferred that you did not have the means of knowing, anything about any stockpiling of strategic materials under the provisions of the commodity exchange decree of September 1934. That decree gave you explicit power to get practically any information that you might want from anybody and everybody operating in the economy of the Reich, so that you had the basis for complete information about the most trivial transactions as well as those of a major character, which are the kind that you are being asked about. In drawing this statute you gave yourself such wide powers, such comprehensive powers that I think we can agree that with those powers you must accept responsibility for everything that was done under the terms of that statute.

A. Certainly not. It gave me the power, for instance, to look after commodities stored secretly by industrialists in order to make profits out of it. If it gave me the power to control that, I do not want to be made responsible if I had not discovered such stored commodities.

Q. To indicate this far-reaching power that you provided for yourself in this statute, I will read just a few portions of it: "The Reich Minister of Economic Affairs -- may make determinations and adopt measures for the recording of business transactions, particularly accounting procedures. The Reich Minister of Economic Affairs shall appoint a Reich Commissioner for the Reich Control Office and may designate one or more deputies for the Reich Commissioner. The Reich Commissioner shall direct the Reich Control Office, subject to instructions by the Reich Minister of Economic Affairs. The Reich Commissioner shall issue the rules of procedure for the Reich Control Office -- the rules of procedure require approval of the Reich Minister of Economic Affairs. The members of the Advisory Board shall be appointed by the Reich Minister of Economic Affairs. The Reich Minister of Economic Affairs shall determine the manner of collection (of funds) and the group of persons and enterprises required to make contributions. Imprisonment and fines to an unlimited amount may be imposed". Are you in agreement that these are very broad powers?

A. Yes, sir.

H1228-0259

Q. To revert a moment to our brief mention of Munich, and your situation with respect to Munich, you testified at another time that you accepted full responsibility for all of your acts, and that your decisions were your own and that you were not bound by others.

A. Except by Hitler where the general political situation of the Reich was concerned.

Q. So that your failure to leave your post prior to Munich, at which time Hitler threatened war on the basis of the armaments he then had available, your failure to do that was something for which you accept full responsibility ?

A. It was not a failure. I could only not do it immediately without great personal risk, and I told you that I had to manage it so as to induce Hitler to dismiss me, in which I succeeded between Munich and the following 21st of January.

Q. In connection with the creation of the Devisenstellen, a high official of the Reichsbank has testified that by creating the Devisenstellen a development was started which became "more and more an instrument of economic policy and became later on a means of controlling the whole economic life and activity of Germany". He further testified that from the time of the "New Plan" of which you were the author "the devisen control system became more and more an instrument of economic politics".

A. I fully agree with those two statements.

Q. I take it that you would also agree with this statement which came from another source: That the purpose of this has been described as "to regulate demand and consumption and steer the scanty supply of raw materials into fields and in directions where it could do the most good, both from the political as well as the economic point of view".

A. I do not agree with the word "political". I don't know what that source includes.

Q. I think that might be paraphrased "would do the most good both from the standpoint of the political objectives of the Hitler Regime and its economic point of view".

A. From that statement I take it that the economic point of view and intentions of Hitler Regime coincide, wherewith I agree.

Q. Still another source, after a thorough-going study of the "New Plan" characterized the primary objective of it to be "devoting a maximum proportion of Germany's productive resources to rearmament and preparation for war."

A. I disagree entirely with that statement as far as war is included. It has certainly helped rearmament.

Q. You must agree that rearmament is preparation for war.

A. I disagree entirely with that statement. It means defense in case of attack.

Q. You would agree with the statement then if it were changed to read: "Devoting a maximum proportion of Germany's resources to rearmament and preparation for a defensive war".

A. That might go.

H1228-0260

Q. In connection with this "New Plan" of which you were the author, in addition to the law controlling commodities which we discussed briefly, another important part of the "New Plan" as it was enacted into legislation would be this law establishing this German clearing bank. Is that correct ?

A. Yes.

Q. This again is legislation which you initiated ?

A. Entirely. Because it was the necessary consequence of the decree of the 4th of September, because we had to establish an international banking account where the balances, because cash payment would not take place, had to be debited and credited.

Q. The question that I am about to ask you may require a technical answer. The type of transaction in which this bank subsequently engaged had been carried on briefly to some extent by the Reichsbank, had it not ?.

A. That sort of business did not exist before that decree came out.

Q. My question arises from this section, which I will read to you : "Any rights belonging to the Reichsbank and obligations devolving upon it under clearing agreements which have been contracted by the German Government with foreign governments or by the Reichsbank with foreign central banks of issue, revert to the clearing bank. The clearing bank shall take over the management of accounts which is incumbent upon the Reichsbank".

A. It may be that some transactions have been made before, I don't know. The difference of time between the two decrees is only five weeks.

Q. Like the commodity control statute, this statute gave you as Reich Minister of Economic Affairs, complete control over the operations under the statute ?

A. It was a bookkeeping and accounting office, nothing else. I don't know what power would be connected therewith.

Q. The powers, of course, are set forth in the statute which was given you by the interrogator at the previous session, and under the terms of that statute a board of directors was provided to control it, and you in turn as Reich Minister of Economic Affairs appointed that board of directors.

A. Yes. Which means that I appointed the accountants.

Q. There was no staff? There were only the directors ?

A. I assume that they had a staff.

Q. The statute provides that the Reich Minister of Economic Affairs can allow exceptions. Were there any instances where these exceptions are allowed ?

A. I do not remember any one, and I do not think that there were any.

Q. Perhaps you could tell us the extent to which you participated in the formulation of the clearing agreements which were subsequently administered under this statute ?

A. The Minister of Economics took part in all the clearing agreements as long as I was in power. After that time, I do not know.

H1228-0261

Q. Who were the others who generally participated during the time you were in power ?

A. My assistant officials. You want names ?

Q. No, not at this time. Were you and your assistant officials the only ones participating ?

A. Oh, no. The foreign office also participated. And sometimes the Minister of Agriculture.

Q. Would it be correct to state that there were no clearing agreements effected during the time that you were in power which did not have your approval ?

A. That is correct.

Q. In the self-serving statement which you made this afternoon, and in earlier statements, in respect to rearmament, you were careful to make the point that at a given time in the long process of rearmament you shifted your position and ceased to support further rearmament, and in January 1939 ceased to hold any official Government position except that of Minister without portfolio. The legislation which we have been discussing which provided the legal foundation for the "New Plan" provided a sufficiently well-rounded and comprehensive basis of control of the economic life of Germany for political purposes so that in carrying rearmament forward after you left the Government it was not necessary to make any radical changes for some time. Is that not true ?

A. I first would like to reject the word "careful statement" which you used. I make true statements, and I am not aiming to be more careful than is necessary. As to your question, I think that every institution which exists in the world, and so every law, is open to abuse.

Q. If there is any difference between the operation of these laws during your period of office, and that of your successor, it would appear from the record to have been a difference of degree rather than kind.

A. I do not know what my successor has done, and whether he abused the law or not, and whether he abused it in degree or in kind.

Q. You are familiar, are you not, with the general trend of economic legislation subsequent to your departure from public office ?

A. Not more than an ordinary newspaper reader.

Q. It has been testified that even as late as the period during which you were in custody of the Reich you requested economic information from the Reichsbank or its directors, and that an effort was made to send you such information. If this is true it would indicate a continuing interest far beyond that which one might infer from your last statement.

A. The statement is correct, but incomplete. I have asked once with the permission of my custodian to send the printed annual reports of the Reichsbank, because I filled my time in the prison with studies about the time of my former activity. The annual reports have reached me.

Q. You raise, in your testimony, the question as to how far advanced German rearmament was at the time you left the Reichsbank in

H1228-0262

the latter part of January 1939. Rearmament is a relatively slow process because of the time required to assemble raw material and to transform it into the complex modern instruments of warfare, and yet it was only a few months after you ceased official participation in the rearmament program that the Reich felt itself sufficiently prepared to engage in the second World War. What comment do you wish to make in respect to that relationship ?

A. Here is a misunderstanding as to the dates. All payments from the Reichsbank ceased in March 1938, a thing which I have stated in former interrogations several times already. As to the length of time for manufacturing war goods, I have no technical knowledge whatever.

Exhibit USA 633
Filed Jan. 11, 1946

H1228-0263

EXCERPT from testimony of HJALMAR SCHACHT, taken at Nurnberg, Germany, 13 October 1945, 1430-1630, by Lt. Colonel M.I. Gurfein, OUSCC.
Also Present: Miss Evelyn Low, Reporter.

Pages 1 to 3

Q. I was looking over one of the statements that you made to Major Tilly and there was a sentence there that I wondered if you could explain. I copied it down, as follows : "In order to divert Hitler's attention from German expansion to the East which could not have been achieved without war, I started very early to win Hitler to a colonial policy". Do you remember saying that ?

A. Yes.

Q. Now I want to ask you first how early was that when you say "very early"?

A. I think in 1932 already. It has always been in my mind.

Q. And you had discussions as early as 1932 about it with Hitler?

A. Oh certainly, from 1931. About everything - many questions.

Q. Such as what?

A. Economic and political and whatever it was - social, unemployment.

Q. But this particular point of foreign policy, you were the proponent, as you explained it, of the view that Germany, should get colonies rather than that there should be expansion to the east?

A. I don't know what it means - "proponent". The question of colonies has always been discussed by me since 1920. - Even before that.

Q. And you wrote an article, as a matter of fact, on foreign affairs particularly ?

A. Yes.

Q. In which you urged that Germany should obtain colonies ?

A. Yes.

Q. In these early discussions that you had with Hitler concerning the desirability of trying to get colonies for the Reich, what position did Hitler take with respect to that ?

A. He was not so much interested in colonial matters and did not lay much stress upon the colonial question at that time - only later.

Q. In other words, at the time of your talks with Hitler in 1931 and 1932 concerning colonial policy, you did not find him, shall we say, enthusiastic about the possibility ?

A. Not enthusiastic and not very much interested.

H1228-0264



Q. But he expressed to you what his views were alternatively to the possibility of obtaining colonies ?

A. No. We didn't go to other alternatives.

Q. You told Major Tilly - that is why I read this, because I would like to get the details of it a little more clearly from an historical point of view - you told Major Tilly in substance that you started very early to talk him into a colonial policy in order to divert his attention from the east. What was there in what he said that led you to believe that he was intending to move towards the east ?

A. That is in Mein Kampf. He never spoke to me about that but it was in Mein Kampf.

Q. In other words, as a man who had read it, you understood that Hitler's expansion policy was directed to the east?

A. To the east.

Q. And you thought that it would be better to try to divert Hitler from any such intention and to urge upon him a colonial policy instead ?

A. Quite.

Pages 7 and 8

Q. Do you remember being interrogated by Major Ziegler. Do you recall having stated that the amounts expended for the rebuilding of the German Army and for armaments from the period 1934 to 1938 were substantial - about 45 billions of Reichsmarks ?

A. Dr. Ziegler from his side gave some figures of taxes and loans and so on and we came to the conclusion that they might have reached that sum. I did not do it by my own knowledge but when he read his figures before me I have said "Well, that may be".

Q. To go back - that figure of 45 billions was also broken down as I recall it. I don't have it right before me but you had about 15 billions raised through taxes through the Reich budget during that period for armament. You had about 12 billion mefo bills - that is 27 billion. You had 8 billions from loans - that is 35 ?

A. That comes to 35 billions.

Q. If all of the 8 billions has been spent on armaments, then this must be right. You would not say that figure of 35 billions was fantastic like the figure of 90 billions that Hitler said ?

A. No, it would certainly not be so fantastic. I don't know whether these 15 billions have been spent on armaments and whether all the 8 billions loans went into armament. That I cannot control. The 12 billion mefo bills were exclusively appropriated for armament so I knew that money was not spent for dinners and suppers.

Q. Let us go back for a minute and reconstruct the position. You had these conversations with General von Blomberg and Count von Arosigk each year with respect to the total requirements of the Armed Forces, is that agreed ?

H1228-0265

A. No. Only from 1936 on. I should say middle of '36.

Q. From '36 on. And those were the total budget figures which included, as everybody has testified, not only the operating expenses of the existing Armed Forces, but also the accretions including the rearmament program itself.

A. It must have been.

Q. So that at that time, as President of the Reichsbank being called upon to supply funds you undoubtedly considered what proportion of the total that was being asked for by the Wehrmacht you personally as President of the Reichsbank were being asked to furnish, that is only natural ?

A. It is quite natural.

Q. These figures that we have quoted of approximately 35 billion Reichsmarks for the period, as against 12 billion from mefo bills, would represent approximately one-third of the total amount expended for armaments ?

A. Yes, maybe.

Pages 16 to 19.

Q. Did you feel, Dr. Schacht, at the time you went to Vienna to make the speech within the week after the Anschluss that by your financing the rearmament you had enabled Hitler to use the Wehrmacht to accomplish his purpose by these methods that you did not favour ?

A. In fact the Anschluss was made by the propaganda which Hitler did in Austria and by political pressure which he brought upon Schuschnigg and others - I don't know who were the leading men at that time. He did not use the military force in order to shoot or to make war, it was just the pressure which was behind it.

Q. Did the Wehrmacht or the fact that there was a Wehrmacht have anything to do with the result in your opinion ?

A. I don't know how far the propaganda and the pressure which came from the Austrian Nazis would have succeeded if there had been no Wehrmacht.

Q. What I mean is did you at that time credit the Wehrmacht as an instrument for the achievement of Hitler's march into Austria ?

A. I have never thought of that.

Q. I want you to think about that now. Logically, of course, anybody would have thought of it as the whole world did at the time ?

A. Yes but I have never thought that it was primarily the Wehrmacht which forced the Anschluss so that for the Austrians there was the alternative. I think, whether to make the Anschluss or we will be at war with Germany.

Q. Did not Schuschnigg call for a plebiscite which he had to call off by a show of arms by Hitler ?

A. I don't know what the arrangements between Schuschnigg and Hitler have been at that time.

H1228-0266

Q. But that was a matter of common knowledge - in the press of the world at the time? You remember the ultimatum of Hitler - the ultimatum to Schuschnigg?

A. I know that.

Q. which was based on the fact that Hitler was prepared to march?

A. That I didn't know.

Q. What they stated.

A. I believe so. I just don't remember. But you say it is public knowledge - I would like to see that.

Q. That the Wehrmacht was strong enough at that time and in a position to impose Hitler's will on Austria in the event that Schuschnigg did not comply with the ultimatum?

A. There can be no doubt because there is the people of 60 million on one side and on the other side a people of 6 million but I do not remember that such a menace was ever made.

Q. Let me see if I can refresh your recollection about your views on the 21st March 1938?

A. 21 March 1938.

Q. At the time at which you made a speech before the employees of the former Austrian National bank ?

A. Yes.

Q. The Anschluss, you remember, was on the 13 March 1938 and this is eight days later. I will read it to you in German first and then we can translate it for the record and I want to see if you remember first making this statement in the speech. Do you remember saying it ?

A. Certainly.

(The English translation was then given, as follows):

> "Thank God these things have finally come to pass that they could not further hinder the great German people, for Adolf Hitler created a society of German will and thought. He supported it through a newly strengthened Wehrmacht and through them he finally brought the inner union between Austria and Germany also into this outward form".

A. Quite, you are correct, yes.

Q. I ask you whether that passage in the speech refreshes your recollection as to the thoughts that you had as you stood there before the employees of the Austrian National Bank in Vienna on the 21st March 1938 with respect to the role that the Wehrmacht had played in Hitler's achievement.

A. Yes, you remember that in 1932 I think it was, the Austrians and the German Government agreed about customs union. That customs union was prevented by the Allied Powers and not only Anschluss, which was not in question at that time, but even a mere customs union was not allowed to be contracted or closed. The fact that Hitler had put Germany on an equal international foot again with the neighbouring powers made the Anschluss possible and so one

H1228-0267

of the aims which I had always had in mind, by force of rearmament was achieved because at that moment the Foreign Powers did not any more hinder the Anschluss.

Q. You characterised in last week's interrogation, Dr. Schacht, the method used by Hitler as "Reckless". What did you mean by that?

A. I meant that if Hitler forced these things upon the Austrians it was not good. He should have allowed the plebescite. The fact that he hindered the plebiscite was certainly not favoured be me.

Q. You still say you did not favour the methods that Hitler used ?

A. Yes. I only favoured the fact that the Foreign Powers did not any more hinder the coming together of Austria and Germany and that was due to the rearmament.

Q. In other words, the Army stood there let us say as a weapon in the hands of the politics of Hitler, vis-a-vis the Austrians.

A. Not vis-a-vis the Austrians but vis-a-vis the Allies - that is important.

Q. In other words you felt that the Wehrmacht had up till March 1938 been so strengthened that it was a sufficient threat to prevent the Allies from doing anything preventive in respect of Austria?

A. I don't know I am sure. To go to war at that time we would have been beaten the same way as we have been beaten now, but the fact that we had rearmed had the real effect that they didn't intervene.

Q. I am a bit naive about these things I must say. You say that the main use of the Wehrmacht in 1938 as an instrument for Hitler was not vis-a-vis Austria but against the Powers?

A. No against the Powers but vis-a-vis the Powers.

Q. That means that the Wehrmacht must have been strong enough to have an effect on any potential conflict. In other words no longer a negligible force ?

A. I don't say that - even in 1934 the Allies respected the rearming of Germany already so it was not comparison of force which I had in mind but simply the fact that we had armed or we were arming. We had armed.

Q. But basically you consider, as I understand it, that by 1938 Germany had resumed what you consider its rightful position as one of the armed Powers of Europe.

A. I was sure of that.

Page 22

Q. You may remember that I asked you last time, in the interrogation of 26 September 1945,

"Q. Did you ever state to them that only those who had loyalty to Hitler could remain ?

A. I never did. My speech which I made to the employees must certainly be in the files of the bank.

H1228-0268

Q. And the speech that you made represented your views at that time naturally?

A. Certainly. I never said anything which I didn't mean."

Do you recall making those answers? Would you like to withdraw that - I just want to know where you stand?

A. No. I would like to make clear that I have praised Hitler and appreciated what he had done in bringing Austria into the Reich, in re-establishing the international position of the Reich. I have not been in concurrence with his moral principles. And I don't think that from this speech you can take it that I approved his moral principles.

Q. That is your explanation ?

A. Yes.

Pages 28 and 29

Q. In connection with that position, was it your duty to be prepared in the event of war for the control of the German economy ?

A. I think that is true - that is correct.

Q. And is it correct to say that you then occupied a position of equal rank with the Chief of the General Staff of the Wehrmacht ?

A. Not of the General Staff, I think the War Ministry.

Q. In other words you agree with Marshal Blomberg when he says that in your capacity as Plenipotentiary for the War Economy you were not under him but you were on a comparable footing with him ?

A. Quite.

Q. So that the people who were charged with the responsibility in the event of war - No. 1. Minister of War and the Chief of the General Staff of the Wehrmacht and No. 2. on a similar footing, Dr. Schacht as Plenipotentiary for the Economics.

A. Yes.

Exhibit USA 636
Filed Jan. 11, 1946

EXCERPTS from Testimony of DR. HJALMAR HORACE GREELEY SCHACHT, taken at Nurnberg, Germany, 16 October 1945, 1430 - 1630, by Lt. Col. MURRAY GURFEIN, AUS, OUSCC.

QUESTIONS BY COLONEL GURFEIN TO THE WITNESS IN ENGLISH:

(Pages 2-9)

Q Yes. So that, I take it, in March 1937, you were not in any way opposed to the further extension of the armament program except insofar as it was limited by technical reasons?

A No. There is another reason in addition to that. I think that any overdoing of armaments contains the danger of war in itself.

Q That is what you said last time that we talked, and I was interested in that. When did it first come to your mind that the extent of the German armament was in such a position as to cause the danger of war in itself?

A That I can't tell you, because all restrictions and thoughts in my mind, accumulated in my mind, accumulated by and by. New points always came in, and the first time that Ireallythought Hitler might not be willing to avert a war by all means was inthe Fritsch Affair. That changed my mind entirely.

Q That was in February 1938?

A May I just add a few remarks to my last interrogation?

Q Yes.

A When I made that statement, I didn't say what I meant. I had, of course, thought of ordinary life and none of the exceptional pressure under which I came through Hitler. When I made that statement in Vienna, I was still hopeful that I would be able to check Hitler one way or another, because the Fritsch Affair was not yet cleared. It was under trial, and the acquitting of Fritsch came only, I think somewhat later. I don't remember the date exactly, but I still hoped that Fritsch would become restituted to his post, and when that was not the case, then I said something must b wrong, because at the same time the Blomberg affair also became known to me. Some people hinted to me that that also was an intrigue, played by Himmler or somebody.

Q Tell us a little more clearly, if you will, Dr. Schacht, what was there about he Fritsch affair that disturbed you?

A Fritsch was the finest character in he whole army, in my opinion. Fritsch was certainly not willing to overdo armaments and certainly he would never have agreed to an aggressive war, s I relied entirely on him, and I was on good terms with him, and I knew that he was against any extension politics of Hitler's.

Q But I thought we agreed last time that the attack on Austria was an aggressive one. Was that not your opinion?

A No, we did not agree, sir. It was an aggressive one by propoganda, but not by military aggression.

Q Just to revert to that for a moment scientifically, you recall that in your speech in Vienna you yourself said that "through the means of the German will and consciousness, and through the strength of the Wehrmacht of ours, we achieved our objectives" or something to that effect?

A I stated at the same time in our last interrogation that this was towards the allies and not towards Austria. I have never heard of any military enemies to Austria. I have heard a good deal about propoganda, and such things.

Q Let us review that for a moment. I don't want to get too deeply into the Austrian affair, but let us stick to matters hat were of common knowledge. You



H1228-0269

H1228-0270

know that the French asked the Italians, Mussolini, whether he would stand firm at the intervention in the independence of Austria? You remember that?

A I don't remember the details.

Q There was a time when Italy threatened to march sometime before, a good time before that.

A A good time before that.

Q There was this development with Schuschnigg being brought to Berchtesgaden, which was common knowledge.

A Yes.

Q And there was this whole question among the European powers as to whether this Anschluss, which was directly prohibited by treaty arrangement, would be performed. You remember that?

A Yes.

Q And you remember that the tension was extremely strong at the time on the question of whether France and Italy would move to maintain the integrity of Austria, the guarantee. You remember that?

A That was long before.

Q They guaranteed it long before, but the diplomatic statements were published at the time, were they not?

A I think that Mussolini had this for his opposition long ago.

Q What I am trying to say is, and I ask you, was it not the threat of armed force on the borders of Austria which preceeded this Anschluss?

A I don't think so.

Q Was there mobilization? Do you remember?

A I don't know. Was there?
Q I am just wondering what you remembered about it.
A Yes, but that had nothing to do with Fritsch, because Fritsch was not in office

Q I am not talking about Fritsch now. We went off the subject as we said we would, Dr. Schacht, when I said that it was parenthentical. I asked you in the first place whether after the withdrawal of Fritsch it was not an aggressive action against Austria, and I had thought that we had agreed last time that, although you said that you had no knowledge of it beforehand that, nevertheless, you still condemned Hitler's principles and so forth, and implied that the matter was an aggressive one.

A I would even deplore propoganda, an aggressive propoganda, inside of Austria; not only military threat.

Q But what I mean is, do you withdraw completely what you said at Vienna, where you seemed to be pleased at the success of Hitler's method of obtaining the Anschluss?

A Would I what?

Q Will you read the question?

(The question referred to was read by the reporter as set forth above).

A I stand by that statement.

H1228-0271

Q Now, coming back to this question of aggression and whether or not there was a threat of armed force, do you recall that on March 11th, Austrian reservists were called up to meet the crisis? Does that come back to your memory? I am just trying to get the framework on the situation.

A I have not been in those details at the time.

Q Well, but you were a living man at the time. We all were, and we were very influential, as a matter of fact.

A No. I was not influential at all, not in that.

Q What I am trying to do is to ask you whether you remember--and if you don't, say so--whether you remember the tension that existed in Europe prior to the Anschluss.

A Certainly. There must have been.

Q And that tension was caused, was it not, by the poising of the armed forces of Germany on the borders of Austria?

A Well, I don't know that.

Q Do you remember Hitler's speech of the 20th of February of 1938, for example?

A No.

Q Where he told the Reichstag that the Germans in Austria and the Sudetenland had to have self-determination?

A No.

Q Did you attend those sessions of the Reichstag, by the way?

A I don't remember.

Q Weren't you, as a member of the government, entitled to sit on the government benches at these Reichstag meetings?

A Yes, but I have missed very, very many meetings.

Q Do you recall whether or not you were present?

A That is easily verifiable.

Q That is why I asked you.

A No, I don't know. I don't remember.

Q You don't remember?

A No, I don't remember.

Q You remember being on the Reichstag government bench at the time war was declared on Poland?

A I certainly was not.

Q You were not?

A No.

Q I just want to ask you this, a little off the beaten track: There is testimony, Dr. Schacht, to the effect that after you left the Reichsbank and retained you position as Minister without Portfolio that you still sat on the government bench in the Reichstag.

H1228-0272

A Once, sir.

Q And when was that?

A After Hitler came back from France.

Q After the grea t victory?

A After the great victory over France. The reason was this: Thie ministers were all ordered to meet Hitler at the station. I was in Berlin at that time. I couldn't escape joining them, and because I also greeted him from ths station, I couldn't escape going to the Reichstag, and I did it; but I think that is the only time I attended the Reichstag after the opening of war.

Q There weren't many sessions of course?

A Oh, there were some, for Poland, for America,for instance, for -- oh, yes there were some. After Poland, yes, but Idon't think I have ever attended any, except this one.

Q That is the only one you went to, at the moment of the great victory over France?

A It is the only one I remember.

Q Coming back to what we were discussing, Dr. Schacht, you recall this tension in Europe, as you say, at the time fo the Austrian Anschluss and you recall even at that time the Czechs were making statements, saying that they would defend themselves if attacked?

A (Pause).

Q You must.

A I have never been in these foreign politics and I don't remember what declarations and sppeches were made.

Q These were things that were in the public press.

A I have read that as a common reader, but I wasn't very much interested in the matter.

Q Let me ask you, then: Would you deny that there was tension in Europe and the threat of a war prior to the Austrian Anschluss?

A I don't think that there was threat of war, not from out side.

Q Your intentions were totake Austria, were they not? Not your personal intentions, but the intentions of the Reich?

A I think Hitler intended to force the Anschluss.

Q If Hitler intended to force the Anschluss, it might have tended toward a general war. That was one of the risks, was it not?

A I don't think so.

Q You don't think there ever was a risk?

A No.

Q You didn't think there was a possibility that France might have protected the integrity of Austria?

A If France would have done that, then I think the right moment for any military intervention was when Germany began to rearm.

H1228-0273

Q But again you are dealing with risks and gambles, are you not, Dr. Schacht? You are dealing with the other fellow's point of view as to what he might or might not do.

A You asked me if I think he could have done something. Of course he could.

(P. 17-20)

Q But would you say that the existence of that Wehrmacht as it was then constituted, gave the means to Hitler to pursue this foreign policy of his?

A One of the means, yes.

Q Now I just want to ask you, because I think you said it at the time and I am just going to see if you are still of the same opinion, because if you want to change the opinion, I'd like to get it--you made a speech I believe, to the German Academy for the Wehrwirtschaft. You had a reception on November 29, 1938, where you spike on the theme of Finance Wonder and the New Plan. So you remember that?

A. Yes.

Q In that speech do you remember saying this: "With the help of its daring credit policy, Germany created for itself a strong armament and this in turn had made possible the success of our politics"?

A Yes, I stand by that still today.

Q Then you went on to sayL "Despite this, there was no German financial wonder. The wonder was the reawakening of the German national conscience and German discipline, and for this wonder we must thank our Fuehrer, Adolf Hitler"?

A Yes.

Q Now, then, what interests me about this is that this was after the Munich agreement.

A Yes, after the Sudeten question.

Q And this was after the cessation of the Sudetenland?

A Yes.

Q And again you are in terms opposing the appeasement of Hitler?

A Yes.

Q So I take it the position you take would be what?

A (Pause)

Q The position you take is that at the time you said this publicly, you did not actually mean it, I suppose?

A I have been satisfied with the results of the Anschluss. I have disproved the methods. I have certainly not objected in my mind nor openly to the Anschluss or the Sudeten Deustche, but I have always disapproved of the methods I have realized and stated publicly and privately that all this would not have been fulfilled unless the rearmament of Germany had taken place and changed the position of Germany towards the allies.

Q You realize, of course, that the Czechs had an army, and the Ezechs had munition works, as well, did they not?

A Sir, the method toward the Ezechs or against the Czechs I had always disapproved of.

H1228-0274

Q But I am a sking you, Dr. Schacht, this: You constantly speak of the Wehrmacht or the rearmament vis a vis the allies.

A Yes.

Q Now I ask you whether the fact of this strong standing army on the German side should not be measured against the Czechs?

A No. I would have been absolutely against that, because that was the wrong method.

Q You mean that the army would be built up to a strength so large that the allied powers would not seek to intervene?

A No, certainly not, but that it could be of some nuisance, if not justified internationally. Claims could be dealt with on peaceful basis of negotiations, as for instance, in '32, the customs union.

Q Now coming vack to this Sudeten problem, you had an army here that was raised to the point where you say the allies would recognize the right of Germany to negotiate with the Czechs diplomatically?

A Yes.

Q If Germany did not have this army, the allies would not have recognized that right?

A I think that the fact that Germany at that time had an army--had great consequences with the allies.

Q In what sense?

A Why, for instance, forbid to Germany the customs union with Austria in '32 by threatening Germany with armed force and why didn't they do it in '38 when the Anschluss was committed?

Q You mean by 1938 Germany had created an army which was sufficiently large to take care of itself in any general conflict?

A Sir, don't ask me these military questions. I can't answer to that. I only say that the fact that Germany was strong again and armed has altered the politics of the allies.

Q Altered them in respect to what?

A Their attitude toward Germany.

Q Well, now, the Anschluss with Austria was not certainly by virtue of any international agreement, was it?

A No, but they tolerated it.

Q They tolerated it because Germany was strong, is that right?

A They had not tolerated the customs union, which would have been much wiser, because then probably Hitler would probably never have appeared on the surface.

Q We keep coming back to the customs union. Let's put our mind to the period of 1938, this crucial period in the world history. At that time this Wehrmacht which was created was strong enough to prevent the nations from interferring with any aggressive plans that Hitler wanted to plan?

A I don't know. I can't say whether it was militarily strong enough. I can only say that it influenced, certainly must have influenced, the politics and the policies of the allies.

H1228-0275

(Page 21)

Q Let's come back to the turning. Obviously you must have had certain conflicts of conscience for quite a long time with respect to this problem.

A Yes, certainly.

Q And these conflicts of conscience must have been revolving themselves in your mind, I should have thought, for some years.

A Sir, my first moral doubts about Hitler originated in '34. I have tried to make sure whether I was right in judging him that way. That can't be done from one day to another. It takes a long time, because I have seen him every few months or so, I mean. My doubts about the overdoing of the German economic and financial strength originated in the year about '36. Here, again, it took me some time to talk things over with Blomberg and Krosigk, and so on. Then I had to hope that on this field, which was my field, I was able to check him. That was why I held my position as managing man of the Ministry of Economics until the fall of '37. Then I went out, because I say I couldn't hold it against Goering.

(P.24-29)

Q In November '38 in that same speech that I referred to: "At the beginning of the year, the spring of 1938 showed a change in our financing policy because German economy had finally reached the point of full employment."

A Yes,

Q "On the first of April 1938, the credit creations through the bank of issue were stopped and the financing of the State requirements were now put on to the ay of taxes and loans."

A Exactly what I said.

Q Yes. So that it was clear that at that time at least it was felt that the difference in methods which you had predicted a long time before would ultimately come through the recreation of employment and so forth, and would enable a change of policy, isn't that correct?

A But within the limits.

Q But within the limits.

A Within the given limits, ertainly.

Q Now the limits, however, you have always maintained, that is, the limits of armaments, you never knew.

A No.

Q That is what I don't know. What limits are you talking about, Dr. Schacht?

A I doubt very much that any further armaments could have been financed unless he abused the Reichsbank. New loans could not any more be found. All that could be levied from the financial market and from the German economy, so that a further continuation of armaments would not have been possible.

Q You mean that there would have been no income from loans and no income from taxes sufficient to have any armament program?

A Not beyond the stage reached.

Q In your speech of November 29th, '38, you certainly did not imply that, did you?

A I don't?

H1228-0276

Q I don't think so.

A What did I say?

Q You say here, following that? "Therefore, the only correct way was for the bank of issue at the beginning to place at the disposal the necessary credits for work and rearmament and only up to the point where the economy again developed itself into a position where a considerable condition of savings and consolidation was possible. Only from that point on should the, and in fact it must be, financing be changed over to the financing through taxes and loans."

A Yes, certainly. That was one of the best speeches I ever made.

Q What I am trying to get at is that that was a position that you held back as far as 1935, was it not, that you would give credit for a limited time in order to prime the pump, as we say in America?

A Yes.

Q And when the time came, when the economy itself, through the creation of savings, and through the act of business and the workers to absorb higher taxes, that at that time it would be unnecessary to either have notes printed or to have an expansion of credit through the Reichsbank, but that instead you would rely on normal budgetary and loan revenues? That was always your position?

A Yes. Always.

Q So nothing changed in the interim?

A No.

Q That is what I am trying to get at. So that there was nothing startling in 1937 about your refusal to give Hitler any more monies from the bank, because that had always been your position?

A Because in '37 I say already that the--

Q That the time had come?

A That everybody way employed.

Q That did not mean, I ask you again, that you were then opposed to further armaments if by some magic the money could be obtained from another source?

A Sir, the money could not be obtained from some other source, because they had to repay the mefo bills. There were lots of other things to do. We had to assume a foreign debt payment on all this.

Q There was nothing that said that that was inevitable?

A What is that?

Q Why did you have to resume the foreign debt payment? You had defaulted before.

A I wanted to change the default. I wanted to become an honest debtor again.

Q Actually, as a matter of fact, let me ask you this: At the time when you started the mefo bills, for example, there were no ready means available for financing the armament.

A Quite.

Q That is to say, through normal budget finance methods?

A Not enough.

H1228-0277

Q Also you were limited at that time by the statute of the Reichsbank which did not permit you to give anything near the sufficient credit which was required for the armament program?

A Quite.

Q And yet you found a way?

A Yes.

Q And the way you found was by creating a device in effect which enabled the Reichsbank to lend by a subterfuge to the government what it normally or legally could not do?

A Right.

Q So I think for a resourceful man like yourself, it is difficult for me to understand how at a given moment of time in 1938, a situation had so altered itself that some way could not be found for some continuation of armaments.

A Colonel, my impression was now it was enough.

Q What was enough?

A Money. Enough armaments. Enough money.

Q I ask you again: You have always maintained that you did not know the size of the armaments. How did you know it was enough?

A I didn't know. It simply was my feeling.

Q Just a feeling?

A Yes. But I knew, for instance, that with General Thomas I was always in agreement, and he was the man of the Ruestungsamt.

Q Coming back to this business of your conflict of conscience that you were talking about, it finally resolved itself with respect to the Ministry of Economics in your departure from Goering in November of 1937. Now, for how long before that would you say had you begun to have substantial doubts whether you could carry on this post as Minister of Economics?

A After the Four Years Plan.

Q And the Four Years Plan came in when?

A It was announced in September '36, on the Party day.

Q Do you say that from the time that the Four Years Plan came in in September 1936, you were already to rid yourself of your economic duty?

A No. At that time I thought that I might maintain my position even against Goering.

Q Yes. In what sense?

A That he would not interfere with affairs which I had to manage in my ministry.

Q As a matter of fact, his appointment was not met with favor by you?

A I would not have appointed a man like Goering who didn't understand a bit about all these things.

Q But you had originally, I take it, suggested to Hitler that he be appointed the Commissar for raw materials and devisen.

H1228-0278

A Not for raw materials, but for devisen. That was because I had not the least authority with the Party, and the Party always deceived me in devisen.

Q But, nevertheless, you say that at the time when Goering became delegate for the Four Year Plan you were not in sympathy with the appointment?

A No, not at all.

Q How long did it take for you to crystalize in your mind the feeling that you could not go along with Goering and maintain your position as Minister of Economics?

A The first moment that it happened that Goering interferred with my business I drew the consequences, and that was in July '37, when he gave out a law about mining. I don't know the details any more, but it was about the State interferring with mining, something like that. That was the end of July. This law he brought out without even informing me before hand of any intention to do so, or without discussing the law or the method of executing the law, and immediately after that beginning of August, I wrote a long letter to him, stating my differences of opinion. This letter is somewhere; perhaps you have it. I sent a copy of that letter to the Fuehrer and asked for my resignation as Commissar for the Ministry.

Q That was towards the end of August?

A No. The 11th of August. I remember the date.

Q 11th of August. But Before this July incident with respect to the mining that you speak about, had there been a series of developments with Goering since 1936?

A I have stated at some former interrogation--I don't know whether it was with you--that in the middle of December '36, Goering for the first time in his new position assembled an assembly of industrialists and outlined his ideas about German economy before them, saying several foolish things, and that on the 22nd of January the following year, five weeks later at the occasion of my birthday--that is why I remember the date--my 60th birthday, in a public speech I refuted these ideas of Goerings, so that the difference of opinion between Goering and myself became already public at that time.

(P.34-39)

Q Let me ask you: Did you in July 1937 have a discussion with Goering or indeed an argument with Goering about your retaining your position as Plenipotentiary for the War Economy?

A It was never mentioned.

Q I want you to think carefully about that, Doctor.

A It was never mentioned, because I remember that very well. When I retired as Minister of Economics, at the same time I was withdrawn as Reichsverteidungskommisar. That is what you mean.

Q No. It was Generalbevollmaechtigter der Kriegswirtschaft.

A General?

Q General Plenipotentiary for the War Economy.

A It had been information gotten in the document which relieved me from my post as Minister of Economics, and a few days later Hammers came and said, "Now here is the other document about the Plenipotentiary." As to Goering, I have not discussed it with him. Nobody had thought about it.

H1228-0279

Q Now, let's go back very carefully. Set your mind on this, because it may turn out to be important. I am not talking now of the time when you resigned or was dismissed as Minister of Economics in November of 1937. I am now talking of the time when you were functioning as Minister of Economics in July 1937.

A Yes.

Q I ask you whether at that time before you had given up the position as Minister of Economics you did not have a dispute with Goering with respect to your maintaining or retaining the position of General Plenipotentiary for the War Economy?

A I don't remember that I had it.

Q Do you remember any discussion with Goering and with Hitler concerning your desire to continue in the post as Minister of the War Economy?

A It is absolutely untrue, absolutely untrue.

Q Did you have any discussion on that subject of any kind with Hitler or with Goering?

A None whatever.

Q Did you to anybody assert or maintain that you were entitled to retain the position of General Plenipotentiary for the War Economy in July or thereabout of 1937?

A Not that I remember. None whatever, because I didn't lay any stress upon such a position.

Q Now, let me refresh your recollection as to this point, and see if it does. Did you have a discussion with Hitler and Goering in which you pointed out that in case of war Goering would be busy with the Luftwaffe and hence probably be in the field and that, therefore, he could not run the War Economy in the event of war, and that, therefore, you had better be left inthat position?

A Not after my dismissal.

Q This is before your dismissal.

A No. Such a conversation is possible, because I had always objected to Goerings abilities of managing the Economies, and that can only have been at the time when my dismissal was not yet discussed.

Q Your dismissal was not yet discussed?

A Yes.

Q But I asked you, did you urge upon the Fuehrer that you be permitted to retain the position of Plenipotentiary for the War Economy in the event of war?

A Certainly not.

Q That is your best recollection?

A My best recollection and conviction.

Q See id this refreshes your recollection, Dr. Schacht: I just want to see if it does. This is a document that is marked Exhibit A of 15 October 1945, Edlow, and bears the date, "Berlin" 7 of July 1937. It is a copy signed "Hermann Goering" and "Dr. Hjalmar Schacht," and I ask you if you will refresh your recollection from this document.

A (Examining document) What does it mean?

H1228-0280

Q I am asking you. Does it refresh you recollection about the incident?

A No. That has nothing to do with the question you have asked me.

Q Why not?

A What does it state?

Q Would you mind reading it? Translate it into English for the record.

A "At the request of the Fuehrer and Reich Chancellor, and examination"--

Q Let me read it. It may be easier for you, "At the request of the Fuehrer and Reich Chancellor, and examination by both undersigned of the previously presented fundamental question which is hereby resolved had resulted that the tasks of the delegates of the Four Years Plan and the tasks of the Plenipotentiary for War Economy be resolved in closest cooperation. Additional the fact is agreed to that the Plenipotentiary for War Economy has without doubt the position of the highest Reich authority." Signed "Goering" and Schacht."

A Yes. Now can you give me an explanation of it?

Q You remember first signing the document?

A Certainly. I don't remember it, but there is no question about it.

Q All right. You remember, then, having a further discussion with Goering about the situation?

A No. But I can absolutely now explain how it has come about.

Q Please do.

A After Goering had taken over the Four Years Plan, and I must say after he had taken over the control of Devisen already since April '36, but still more after the Four Years Plan, September '36, he has always tried to get control of the whole economic policy. One of the objects, of course, was that as Plenipotentiary for War Economy in the case of war, and he being only too anxious to get everything into his hands, he tried to get that away from me. Certainly as long as I had the position of Minister of Economics I have certainly objected to that, because after he had got the Devisen and after he had got the Four Years Plan, I didn't want to give away one thing after the other and then remain as nothing. Therefore, the last sentenc about the Plenipotentiary, I didn't want to dwindle down, and that is all.

Q Now, Goering's explanation of the last sentence might amuse you. He says that made it definite that you would be under his jurisdiction, because all the Obersten Behorde were under him.

A It may amuse you if I tell you that the last conversation that I had with Goering on these topics was in November '37, when Luther for two months had endeavored to unite Goering and myself and to induce me to further cooperate with Goering and maintain my position as Minister of Economics. Then I had a last tald with Goering, and at the end of this talk Goering said, "But I must have the right to give orders to you." Then I said, "Not to me, but to my successor." I have never taken orders from Goering, and I would never have done it, because he was a fool in economics, and I knew something about it, at least.

Q Well, I gather that was a culminating, progressive, personal business between you and Goering. That seems perfectly obvious.

A Certainly.

H1228-0281

Q That was the fundamental reason why you could not keep your position any more, because you would have been in a position to take orders from a man whom you did not respect in economic matters?

A Absolutely, and this is one of the stages where he tried to take something away from me, and immediately after my dismissal, after my resignation, this was also taken.

Q What I am trying to analyze now, if I may for a moment, is what was it that he was trying to take away from here?

A He wanted to become Plenipotentiary for the War Economy.

A Let's go into the duties of that job for a moment and see what he was trying to take away from you. There are only two possibilities as it has been explained to me. If I am wrong, correct me. One would be the preparation for a mobilization, and the other would be the actual taking charge of this in the event of war. Otherwise the post had no meaning. So the things you resisted his taking away from you, as I see it was the right to be in charge of the preparation for mobilization, and, secondly, the right to control in the event of war?

A Correct.

(P.52-54)

Q Do you recall why you were discussing as early as 1936 this mobilization business?

A But sir, I was, as you have stated, Plenipotentiary for War Economics, and I have considered this as a routine method for the General Staff of the War Ministry, and certainly we had discussed these methods.

Q In other words, you didn't consider it a negative or negligible task, as I think you first said the first time I asked you about it?

A I have never thought of any possibility of mobilization, but, nevertheless, as a routine work, you have to deal with it.

Q That is the only explanation you have of that?

A Certainly.

Q Goering at those meetings from time to time would speak about the possibilities of war. Do you think that was in the same vein?

A I don't know whether it was in the same day--
Q Same vein, the same vein, the same ideas as yours, those remarks?

A I doubt it very much, because all those things were just those that made me suspicious.

Q For instance, Goering says, "All means must be considered from the standpoint of assurance of the direction of war."

A Yes.

Q And you were present, of course, and you then replied to him, in which you suggested that there should be price fixing. Do you remember that?

A I don't remember that, but certainly, it's true, if it is in there.

Q So that, I take it, you actually did occupy this position that you were named to, as Plenipotentiary for the War Economy?

A Certainly.

H1228-0282

Q And just as the Chief of the General Staff worries in advance about preparations in the event of mobilization from the military point of view, so you were concerned with it from the economic point of view?

A Certainly.

Q I think that is all for today, Dr. Schacht. I will probably see you tomorrow or the next day.

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Exhibit USA 616
Filed Jan. 10, 1946

Excerpts from Testimony of Hjalmar Horace Greeley SCHACHT taken at Nuremberg, Germany, 17 October 1945, 1145-1630 hours by Lt. Col. Murray Gurfein, AUS, OUSCC. Also present: S/Sgt. Horace M. Levy, Court Reporter.

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Pages 1 to 19

Q. Now, I want to go back to something that interested me a little, Doctor Schacht, and I never quite got it clear in my mind. You made a statement some time ago, when you repeated, that after Munich, Hitler said that he was annoyed at Chamberlain for having deprived him of a military march into Prague; do you remember that?

A. Yes.

Q. I wonder if you can tell me what the context of that was? It just stands in the record, as a statement in the air.

A. I think he was not satisfied with the Munich agreement at all; and I heard it simply standing in a crowd of his entourage; I don't remember who they were, perhaps, all these people, Bormann, Himmler, and others; and by some chance I was near, and I heard him saying that. My feeling at that time was that he wanted some glory.

Q. Well, how soon after Munich was it? Was it a sort of celebration after Munich?

A. I don't think so, no.

Q. Well, what was the occasion? That is what I don't have clear in the record. I just don't like to leave it that way.

A. I --

Q. Was it at the Chancellory, or where was it?

A. Most probably -- no, not in the Chancellory, not in the new building. I can't tell you, but somewhere in Berlin.

Q. It was in Berlin. Now, was it a reception; can you refresh your recollection?

A. No, it was no reception, no; it was just -- I had to do something, I don't know, and he was in his entourage then.

Q. Well now, I wasn't there, but it would seem that a remark would have been made very shortly after the event.

A. Yes, certainly, shortly after Munich, a few days after Munich, it must have been.

Q. In other words, you place it there as the beginning of October, 1938. Munich was about the 1st of October, 31st of September.

A. It must have been in those days.

Q. In those days!

A. Yes.

Q. Now, did you draw any implication from the remark at the time, as you remember?

A. I -- Did I?

H1228-0283

H1228-0284



Q. Draw any implication or any inference from it?

A. Just to see his mood, I mean, to see what he thought of the whole thing, which, of course, displeased me very much.

Q. Yes, but now, as you tell it, and I want to see if you get it clearly in your memory, the thing he was objecting to, was the preventing by Chamberlain of his marching into Prague, as you have told us several times. I take it that sticks in your mind.

A. Yes, I think he was not satisfied with the peaceful settlement, as it had the appearance in Munich.

Q. Yes?

A. And that he wanted something by which he could show the world that he was a great man and a victor, and so on.

Q. Yes. Now, as I see it, there were two implications from that; one was the one that you just mentioned, obviously, that he wanted some military glory; and the other might have been that he was not satisfied with the territorial settlement, but would have preferred to go into Prague.

A. No, I had not that impression at that time. That wasn't anything which came into my mind at that time.

Q. Well now, obviously, if he said he would have marched into Prague, didn't that bring to your mind that that was the goal at the time which had been stopped by a compromise, to wit, the Munich Agreement?

A. Yes, certainly.

Q. So that, by that time then, in October, 1938, right after Munich, there was at least the implication that Hitler was not wholly satisfied with the territorial achievement that he had obtained through Munich, and that he wished to go further.

A. That was not my impression.

Q. Now, I think you told us, though, the other day, did you not, that about that time, you already had begun to have misgivings with respect to his goals, and so forth?

A. Oh, I would even go further than that.

Q. In point of time, we are now talking about October of 1938.

A. Yes,

Q. And you expressed yourself, I think, quite strongly, did you not, that by that time it was obvious to you that Hitler's intentions were certainly not peaceful?

A. I was very afraid that whatever he had in his mind, he was not trying his best to avoid a military complication, and that he might abuse his Army for things which might become dreadful.

Q. And that feeling you had had not only as late as October, 1938, I think you said, but also from the time of the dismissal of Fritsch.

A. Yes, it grew within these months.

Q. Yes. Now, going back to another subject for a moment, in March 1937, you made an agreement with Hitler for the furnishing to him of three billions of Reichsmarks, by way of indirect credit from the Reichsbank.

H1228-0285



A. Yes.

Q. Which, in substance, was to expire in about March of 1938.

A. Yes.

Q. In other words, at that time, in 1937, contrary to your usual practice, you fixed a time limit as well as an amount limit; is that correct?

A. Yes.

Q. So that it was determined in advance, that by April 1, 1938, there would be some change in the method of financing armaments.

A. Yes, if he intended to continue.

Q. Yes, if he intended to continue, certainly.

A. Which I hoped at that time he wouldn't.

Q. Now, would you tell us what gave you that hope at that time, Doctor Schacht? I am interested in that.

A. Oh, certainly, from my standpoint, the financial question in the forerank; and then the general development of Germany's position, I mean, our economic position was much better than years before, and there was no need for any further arming.

Q. Well now, you knew in 1937, did you not, that one of the goals of Hitler was Austria?

A. Yes.

Q. And I believe you stated in November to Ambassador Bullitt, that Hitler intended to have Austria; do you remember that?

A. Maybe to Bullitt.

Q. You wouldn't deny that fact?

A. Yes, maybe. I don't know when it has been, but I remember that I met Bullitt at the American Embassy once in Berlin.

Q. That is correct; and you had a fairly extended conversation with him about the situation; is that right?

A. Yes.

Q. And to refresh your recollection, I will tell you that that was in November of 1937. You don't doubt that, do you?

A. No, I don't doubt it at all.

Q. Nor do you doubt the conversation. And in that conversation with Ambassador Bullitt, you further said that Hitler was interested in receiving the problem of the Sudeten Germans as well.

A. That may be.

Q. So that in 1937, you knew that Hitler's plans for expansion to the East had not yet been fulfilled; isn't that correct?

A. I would not call that "expansion to the East", because Austria was certainly not a profit to Germany from an economic standpoint, only partly, because of the tourist traffic, and so on; and the Sudetenland was certainly nothing which could help Germany in any way out of her economic pressure.

H1228-0286



Q. No, but let's leave out for a moment, if you will, Doctor Schacht, my phrase about "expansion to the East."

A. Yes.

Q. In 1937, was it not brought home to your knowledge that Hitler still had at least limited goals, to wit, Austria and the Sudetenland?

A. Yes.

Q. Now, did that feeling or that knowledge come to you during the year 1937, or were you also of that opinion in March of 1937, when you had the conversation with Hitler about advancing another three billions of Reichsmarks?

A. I have never considered the Sudeten problem as a real serious problem because I have never thought that this could be done otherwise than by some understanding with Czechoslovakia, on an economic basis, and as I told you before, I wanted Czechoslovakia, one day, by voluntary and peaceful and friendly understanding, to come into the customs union of what you may call "Middle Europe", or whatever it might be.

Q. Well, what I want to make clear to you, Doctor Schacht, is that I am not now probing for your views, which you have stated; I am now asking you for the views that you entertained with respect to what Hitler intended. You see, there is quite a difference, possibly, I don't know.

A. I had no notice that Hitler had other methods in his mind.

Q. No, when you made the statement to Ambassador Bullitt, for example, what was the intention of that statement? What did you seek to convey to the United States?

A. That they might help in some arrangement with Czechoslovakia.

Q. Well, was it not a statement -- whether or not you agree with it, we won't discuss at the moment -- to the effect that the United States had better be forewarned that Hitler had a specific objective in mind, and that it would be well to go along with him? Was that not the implication?

A. I don't quite understand what you mean by that. The United States could only help in, say, fostering the general feeling, nothing else, I mean, no political influence whatever.

Q. By letting Hitler have a free hand, as it were.

A. No, not by letting him have a free hand, but to help in some understanding with Czechoslovakia.

Q. Well, let's put it in that form then.

A. That is not a free hand.

Q. That the United States might act as a mediator, or as one --

A. As helpful.

Q. Or one of a concert of powers, or as helpful, with a clear understanding conveyed by you that Hitler was intent on his goal.

A. Yes, you may put it that way.

H1228-0287

Q So that, if Hitler did not have his way by diplomatic means, there was always the implication that he would stay fixed to that goal which he had set.

A I had not the impression at that time that he would do any thing forceful or illegal or unfriendly in reaching this goal.

Q In other words, you, in effect, deny the fair implication of the statement to Bullitt, and Hitler had, by that time, established himself as a man who more or less got what he wanted; and I think you have so said frequently; have you not?

A I didn't hope he would get everything that he wanted.

Q No, but I am talking now of a description of the personality.

A He was a very energetic --

Q Very energetic?

A Energetic fellow; yes, certainly.

Q And when you stated the goal of a man like that, knowing the sequence of German history from the time he took power, there must have been at least an implication in your mind that he would set out to get what he wanted; isn't that correct?

A If he could reach it by normal means.

Q Now, that is what I want to ask you: Have you anything to suggest as to why you thought Hitler would be limited to achieve his goals only by normal means?

A I had hoped so.

Q No, but have you anything concrete to offer in support of that statement then? That was, what he was after, in any event.

A Only his permanent assurance that he would maintain peace, which he stated at every public occasion, and privately in our conversations, too.

Q Well now, this was all during the time when these preparations were being made with respect to armaments.

A Yes.

Q Preparations were being made, with respect to the event of mobilization.

A Yes.

Q Secret papers were being passed.

H1228-0288

A Secret?

Q Secret papers were being passed about from one minister to another, with respect to the event of war.

A Quite.

Q There was at that time already a tension in Europe, I think, as we had discussed yesterday; was there not?

A Yes.

Q There were statements and declarations by the powers, with respect to guaranteeing integrities, and all the implications that we knew from the last war that were a prelude to setting the stage.

A Yes.

Q I just want to refresh your recollection on that. At that time that you spoke to Mr. Bullitt in the Fall of 1937, all those things must have been very much in your mind and consciousness.

A Yes.

Q Now, this meeting that you had after Munich -- just to come back to it for a moment -- this attendance that you had, was that a voluntary attendance on Hitler, do you recall? Were you still doing business with him?

A It was an occasion. I don't know what you mean by "voluntary". I happened to be there for some other matter, I don't know what it was, an ordinary routine matter.

Q Routine matter?

A Yes.

Q In other words, as late as October, '38 -- I just want to get this thing clear -- you were still seeing Hitler on business matters, that is, affecting your position?

A Yes.

Q And that also went into January, 1939, the month of your dismissal from the Reichsbank.

A To the 2nd of January, 1939; that was the last time.

Q Now, you don't mean to imply, Doctor Schacht, that was the last time you saw Hitler, on the 2nd of January, 1939?

H1228-0289

A I have seen Hitler during the war once, I think, when I intended to marry again; and I came to him in order to facilitate the formalities of my marriage. That must have been--I know, because I have married--in February '41. Since that time, I have never seen Hitler again.

Q Now, what discussion did you have with him then? That was at Munich, was it not?

A Pardon me?

Q You went to see him at Munich or Bertchesgaden?

A Before Bertchesgaden?

Q No, I say, where did you go to see him in '41.

A That was in '41, in the Chancellery.

Q At the time you went to discuss your marriage.

A Yes.

Q Well now, you also went to see the Fuehrer in Munich, in February of 1941.

A No.

Q According to records of the Fuehrer.

A No, no, no. I have seen him in '41 in Berlin. What do you allude to?

Q To a trip you made to Munich to see Hitler in 1941.

A I don't remember. Will you please help me?

Q Well, I can help you, but the point is, you will have to refresh your recollection; but there is a record made of it in writing. That is all I can tell you, that you went to see the Fuehrer in Munich in February '41.

A At what occasion? In '41.

Q Yes.

A I don't remember. I don't remember.

Q Well now, you say you went to him solely for the purpose of getting your marriage fixed up?

A In Berlin, yes.

H1228-0290

Q You had to go to Hitler for that, personally?

A He had to give an order to the Minister of the Interior to do away with the formalities. You see, if one wants to marry, then the names have to be published for some weeks, and so on; and I wanted to do away with these formalities; and he granted that.

Q How long did you see him on that occasion?

A Quarter of an hour.

Q Well, obviously, you must have discussed something with him?

A No, nothing.

Q Nothing?

A No.

Q You came in the midst of a war?

A What?

Q I say, you came in the midst of a war?

A Yes, I have.

Q You were still the Minister without Portfolio?

A Yes.

Q And you discussed nothing?

A No, I didn't.

Q Did he ask your views about the economic situation?

A No, he didn't.

Q Did you offer any views of any kind?

A No.

Q Now, was that the only time you saw Hitler, from the 5th of January, 1939?

A From the 2nd of January, '39, I have seen him once in '40; that must have been in February or March or January, one of the months in '40, and also in Berlin.

Q And in what connection was that?

A I had received from America two invitations to state to the American public the views of Germany about the whole situation.

H1228-0291

One came, I think, from "Foreign Affairs Magazine," and one came from the "Atlantic Monthly," which I think is a magazine of the "Christian Science Monitor," connected with it, the same group. When I got the first from the "Foreign Affairs Magazine," I did not want to do anything, of course, being a Minister without Portfolio; and in wartime, I did not want to write anything of which my Government had no knowledge; so I asked by telephone, or I don't know how it was, but anyhow, I addressed the Foreign Minister, telling him that I had this invitation, and that I wanted to write that article, that I wanted to inform him about that; and after some days I got an asnwer, a written answer, I think, from him--no, I told him that I wanted a conversation with him about this matter, and then he said he didn't--he didn't mention that conversation which I had asked for, but he simply wrote me that he was agreed

to my writing that article, on the condition that I showed the manuscript to him before I sent it. And that, of course, I didn't want; I didn't want any censorship. Either they had the confidence in me that I would write the good thing, nothing which would hurt Germany, or I wouldn't write the article; and so I dropped this thing. I din't refer to that; and I think that I wrote to the magazine that I wasn't able to do that, to write the article; but then came the second demand from the "Atlantic Monthly", and again I personally had a wish to write the article; and so I wrote to the Fuehrer, and told him the story of the first demand and of the second demand, and said I wanted the conversation -- I would like to have a conversation with Hitler; and so he asked me to come, and that, as I say, must have been sometime in February, or so, about that time; and when I saw him, I explained things to him, and said that my view was that it would not be sufficient just to write one article, but that somebody should go over to the United States, and try to inform the United States about the ideas prevailing in Germany; and he agreed to that. I didn't say that I would go, but that somebody should go; and that he agreed to that, and said, "I want to talk that over." He wanted to talk that over with Ribbentrop; and that was all I have heard until months later. I had then the occasion, once, to talk about this matter with Funk; and I said that also from an economic standpoint it would be essential to do something like that; and Funk said to me that he would take up the matter again with Ribbentrop; and some weeks or months later -- it took some time -- he told me that he had asked Ribbentrop, and that Ribbentrop had written to him that he did not agree; that "It was too early," as Ribbentrop said, "to do that"; and so I dropped the matter.

Q Well now, "too early to do that." Was there some political --

A I don't know.

Q Political deal that you had in mind?

A Not I, he.

Q Well, we have had this version before, Doctor Schacht, but in a somewhat different way, that you volunteered to go to the United States, to try and convince the President or the powers that be in America, to stop giving as much aid to Britain, and to see the German point of



H1228-0292

H1228-0293

view a little more clearly; isn't that the implication?

A What do you mean by "implication?" I mean, that was the real implication, I mean.

Q That is what you wanted to do.

A To try to get the United States out of the war.

Q Yes, so that at that time despite your conflicts with Hitler, which you have described here at length, you were still sufficiently with him to try to see a successful termination of the war for Germany.

A I was not -- I don't know his ideas, but I was of the idea that everything which would be done to shorten the war, and to avoid further conflicts, would be helpful.

Q And a shortening of the war, with respect to your mission, if it had been successful, would have caused a German victory.

A No, but it should mean an international understanding.

Q Well, with the fruits of Czechoslovakia.

A No, no.

Q Of Austria and of Poland.

A No, Austria was recognized and accepted, so that was no goal, any more, and as to Czechoslovakia, I had not the slightest goal to include this country into German authority.

Q No, but by the time that you were still willing to undertake the trip, according to the chronology you gave, it was after the Fall of France, and after the invasion of the Low Countries.

A No, I suggested that trip, as you will take from my statement, in the beginning of '40.

Q Right, but the final discussion with Funk --

A And wait a minute; Just correct that. The Fall of France was only in the summer.

Q Right

A So it was before France fell.

Q No, but you said that months went by, the first time, and the second time, and the third time.

A But the second time -- he asked me the second time -- I remember it well now -- whether I could still go in '41. I said, "Now, it is too late." I wouldn't go.

Q Well, let's place, if you will, now, the approximate date of the conversation you had with Funk, when you sent him to Ribbentrop with the suggestion that you would go to the United States; when would you say that was?

A Perhaps in May, or something; perhaps the letter is there from Ribbentrop.

(SCHACHT)

H1228-0294

H1228-0295

Q I just want to get your recollection. You say definitely that that was before the invasion of France, or the attack on France?

A At least before the fall of France.

Q Yes.

A That I had the conversation with Funk.

Q Now, did you again renew that situation in 1941?

A No, he asked me at that occasion, when I spoke about my marriage, whether I would still think it possible or feasible or wise to send somebody to America.

Q That is, Hitler did.

A Hitler did; Hitler did. He asked me whether I thought it wise, and I said, "It is too late now," because then the Lend and Lease agreement was already made a law.

Q At least there was one subject in the conversation that you had with Hitler at the time, besides your marriage?

A Yes, quite. I remember well, that is the one.

Q Now, when you started to discuss Lend Lease with him, that discussion must have led to something else.

A I didn't start any discussion about Land and Lease. I just said, when he asked me, and he did it while I was going out of the room. Already, he said, "By the way, what about your thought of going or sending somebody to America?" And I said, "That is too late now," and then I dropped out, and there was no discussion whatever, neither about Lend or Lease, or about anything which had to do with politics, or economics, or whatever.

Q Well now, did you, in Switzerland, in about '41 or 42' --

A '41, I was in Switzerland. I made my marriage trip to Switzerland. I asked him about that trip, too. I needed his permission to go to Switzerland.

Q Yes. Now, when you were in Switzerland, did you tell anybody that you were still seeing Hitler from time to time, advising him generally; that at times your advice was taken, and at times it was not?

A I don't remember, but if I did it was certainly wrong, because since February '41, I have not seen him; I have not seen him

H1228-0296

later.

Q Let's go into that for a minute. You say it was certainly wrong. Why would you intentionally mislead anybody at that time?

A I don't think I did. It may be that I advised some Swiss people, that I intended to see Hitler.

Q No, I just want to get your recollection on the record, so that if we ever conflict, we know what we are doing. I ask you now, did you say to anybody in Switzerland, in 1941, that you were still seeing Hitler, not regularly, but from time to time, and that you were giving him advice from time to time, some of which was accepted, and some of which was rejected?

A Not at that time anymore. It might have been formerly, but not at that time.

Q No, speaking as of that time.

A No, I don't remember.

Q Well now, do you remember seeing Hitler? It is just a question of "Yes" or "No".

A I remember having seen Hitler for the last time in my life in '41, February, or March, or January, I don't know, but in the beginning of '41, just a few weeks before my marriage.

Q Now, going back then to the year of 1940, did you see Hitler at all during that period?

A I think I have seen Hitler only at that one occasion, about these articles for American magazines, not in Munich or elsewhere.

Q Then, of course, you saw him when you attended the reception at the railroad station when he came back from Compiegne.

A Oh, yes, I told you.

Q Did you have any conversation with him on that occasion?

A No -- yes, just he, said to me, "What do you say now, Doctor Schacht?" before all the crowd; and I said the only thing I could say, "May God protect you." That was my answer.

H1228-0297

Pages 31 to 34.

Q Well now, we discussed yesterday, too, the business of the raw materials that you were able to bring in under your new plan," so called.

A Yes.

Q And the relationship of the materials thus selected to the needs of the armament program; you remember that?

A I didn't select any commodities coming in.

Q Well, didn't you have these offices that you created under the Ministry of Economics?

A Yes.

Q With respect to the control of foreign exchange, for example?

A Yes.

Q Wasn't that your own idea and your own creation?

A Yes.

Q And wasn't it the function of those offices to determine for what purposes foreign exchange would be made available for imports?

A No, no. I mean, for what? I have explained that so often already. They couldn't know for what purposes these commodities came in.

Q No, but they knew very well whether the license was for the import of iron, for example, or rubber, or foodstuffs.

A Yes.

Q And do you say you did not have a coordinated policy, with respect to what imports should be pressed, with respect to the granting of licenses for devisen?

A Just those that you mentioned.

Q In other words, you were, by a coordinated system of control, controlling the flow of foreign exchange for the purchase of imports, which were required for certain purposes.

A Until April '36.

Q When Goering took it over.

H1228-0298

A Yes.

Q What I am talking about is the creation of this new plan for which you take full credit, I take it.

A Yes.

Q The system, in effect, was a centralized system which would enable the Reich, actually yourself, as Minister of Economics, to control the flow of foreign exchange, and thus determine the quality and quantity of the products that would be imported.

A Yes

Q Now, I ask you, generally, then, whether the main purpose of the importation of these raw materials was not the armament program, taking into view also the fact that you had to feed the population in order to continue the economy, and indeed to continue the rearmament itself.

A I can only refer to my yesterday's statement about these statements.

Q It is preliminary again, but what is your answer again?

A The answer ist that I had to feed the people, and I had to maintain the economic life, and especially the exporting industries in Germany, and certainly the raw materials for armaments were among those raw materials which I got.

Q Right, but you do not take back the statement, which you made in the memorandum to Hitler on the 3rd of May 1935, as I understand it, that the primary goal of your economic set-up was rearmament.

A Not of the economic; I said the political aim, the political goal is armament.

Q The main purpose?

A Yes.

Q All right. Now, just to look at some situations and some figures: In 1934 to 1937, is it correct to say that the imports by Germany of manufactured goods decreased?

H1228-0299

A Yes.

Q And is it correct to say that they decreased by 63%?

A I don't know the figure, but yes, that might be right.

Q And is it also true to say that the imports of iron ores increased?

A I guess.

Q Don't you remember?

A No, but I should say so.

Q And would it be correct to say that the imports of ores increassed by 132%?

A I hope you took it from the statistics. I haven't the figures in my mind.

Q Well, it doesn't shock you especially?

A No, not at all.

Q And that grain increased by 102%?

A Maybe.

Q Oil by 116%?

A Maybe.

Q Copper by 71%?

A Maybe, I hope that all these figures are correct.

Q I will show you the figures in a moment.

A I don't doubt it.

Q You are the author of the figures; that is why I want to show them to you.

A In my own speech, perhaps.

Q In your own speech.

A That's right.

H1228-0300

Pages 40 to 62

Q Let's get back for a moment to the first thing. You have raised the question of the Jews. We hadn't discussed that. What did you think, at the time you subscribed to National Socialism, was the program with respect to the Jews ?

A When did I what ?

Q When you subscribed

A To what ?

Q When you became an adherent to National Socialism.

A I was never an adherent to National Socialism as a Party.

Q At the time you came into relationship with Hitler; that was as early as the beginning of 1931.

A What I thought, about the Jewish problem?

Q Not what you thought, what you thought the National Socialists thought.

A The National Socialists, as I took it from the program, intended to not having such a great persentage of Jews in the governmental and cultural positions of Germany, with which I agreed.

Q What else?

A That ist all; and under the second paragraph, I think, it is paragraph 5, or Article 5 of the program, it said that also there would be some restrictions by Article 4. The Jews should get legal protection and a law for them, under which they would be able to live.

Q That is the law as subjects, but not as citizens; is that what you mean?

A Not a full citizen.

Q Not as citizens.

A Not as citizens,but not with all the rights of the Christian citizen.

Q But you know that Article 4 certainly did specifically prescribe that they were not to have the rights as citizenz of the Reich.

A Yes, but the rights of citizenz; there are lots of rights.

Q Well now, let's go after that. Did you agree with that part of the policy?

A Yes, I did.

H1228-0301

Q Now, you stayed in office as a member of the Cabinet during the years 1939,1934,1935, 6,7,8, did anything happen during these years, by way of legislation or decrees, concerning the Jews with which you did not agree?

A Yes.

Q Did you nevertheless--

A Not -- wait a minute -- not as regards laws, but as regards behavior of the Party

Q Now, let's get that clear. May we then take it that you subscribed fully with all the laws that were passed during the period I have mentioned, with respect to the Jewish question?

A Well, I would say, to the so-called Nurnberg Laws,"I would not have subscribed.

Q Well now, were not the Nurnberg Laws, in effect, always a basic tenet of National Socialist Doctrine?

A I had not assumed that before.

Q Well now, you hat read "Mein Kamof," had you not?

A Yes.

Q And you knew the views of Hitler on the Jewish question; did you not ?

A Yes.

Q And , did you not understand that he would, as he promised, liquidate this question, in effect?

A Yes, but not the way he did afterwards.

Q Well, 1st me ask you your expectation; how did you expect him to do it?

A I just told you, not allowing such an enormous percentage of Jews to enter into either of the Government's or cultural decisions; owning a great percentage of the theatres; of films; music; and literature, and all these things. I thought that in a Christian state, the Jewish people should not maintain so many of these positions.

Q Well now, during your time as a Reichminister, statutes were passed, were they not, prohibiting all Jewish lawyers, for example, from practicing in the courts.

H1228-0302

A Yes, that is just what I said.

Q Did you agree with that?

A Yes.

Q That is all; that wasn't a limitation; that was a complete exclusion.

H1228-0303

A I didn't agree with the complete axclusion. I would have accorded the Jews in a percentage, a percentage of population, the right to keep some posts.

Q Now, with respect to civil servants, there was this Aryan clause, business that was put in; did you agree with that legislation?

A With the some restriction, with the same limitation.

Q Now, did you ever express yourself, in the cabinet or elsewhere, to the point that you wanted these restrictions put in?

A I don't think so; useless to do it.

Q You say, "useless to do it?"

A Yes.

Q I thought you said at one time or another that the reason you stayed in is because you thought you might have some influence on policy?

A Yes.

Q You didn't consider this as important a matter to take a position on it?

A Not important enough matter to break.

Q You signed some of these things yourself, didn't you, Doctor Schacht, these laws about Jews?

A I don't remember what law I have signed.

Q Well, for example, about lawyers.

A Yes, maybe.

Q You certainly signed a law with respect to the prohibition against Jews receiving licenses to deal in foreign currencies; do you remember that?

A Yes, maybe.

Q Were you in favor of that?

A I don't remember what the detaile were of that question.

Q Well, it is not a matter of details; the question is a matter of discrimination.

A Yes.

Q You were in favor of it?

A I wasn't in favor, but I had to sign it.

Q Well, you were the only one who signed it; you were the Reichsminister of Economics.

A Yes.

Q And obviously, it was a bill which was put in by your Ministry; was it not?

H1228-0304

A Yes.

Q So you take full responsibility, do you not?

A Yes, I do.

Q Now, with respect to the public economic advisors for cooperatives, for example.

A Yes.

Q Did you also sign a law prohibiting Jews form being admitted --

A Yes.

Q To the examination for that?

A Yes.

Q Now, did you also go so far as to approve a law, imposing the death penalty on German subjects who transferred German property abroad, or to proffer or leave property abroad?

A What property?

Q Who transferred property abroad, or left property abroad?

A Yes, maybe. I don't remember that; but certainly, too, if it is there.

Q Were you in favor of it?

A I had to do all this whether I was in favor or not. I didn't discuss it at that time.

Q Well, who forced you to do it?

A Hitler.

Q You mean that Hitler personally sat up at night thinking out these laws? It is impossible.

A If I would have deelined to sign these laws, that would have meant a break with Hitler.

Q Well now, was there a matter of conscience involved, or was there not?

A To some extent, yes, but not important enough to risk a breank, to run the break.

Q Yes. In other words, you had quite another objective which was more important.

A Quite.

Q And what was that objective, Doctor Schacht?

A Well, the objective was to stay in power, and to help carry this thing through in an ordinary and ressonable way.

H1228-0305

Q That is to say, the restoration of the German economiy

A Quite.

Q And the completion of the armament program.

H1228-0306

A The completion of the international equality, political equality of Germany.

Q By means of armament, as you yourself have said.

A Also by means of armament.

Q Now then, there is one about the dismissal of Jewish officials and public notaries.

A Yes.

Q Which you also approved of.

A It is all in the same thing.

Q It is all in the same framework?

A Yes.

Q Now, was there anything about this Jewish legislation that particularly shocked you; do you recall?

A Well, I thought the Nurnberg Laws were shocking to some extent.

Q Well, those laws you knew about before they were promulgated, did you not?

A I got them from the papers.

Q You made a speech just a month before the Nurnberg Laws, Doctor Schacht, in which you predicted their passage; do you remember that speech?

A No, I don't. Will you please show it to me?

Q I will try to. I haven't got it with me, unfortunately, but you did make a speech just a month before the Nurnberg Laws were promulgated, in which you said, "Laws are in preparation now."

A Oh, I made the speech, I remember that very well, in Koenigsberg.

Q Koenigsberg, that's right.

A Yes, the Koenigsberg speech. In that speech, the intention was just to the contrary. I said, -- I blamed the Party people in that speech for attacking the Jews, and what would you call it, and torturing them, and so on; and I said

H1228-0307

that they should stop that because the laws were in preparation.

Q Yes, so that you did know that laws were in preparation.

A Oh, all the time, I was expecting something on that line.

Q And specifically, the Nurnberg Laws, I take it.

A No, I have not seen any contents of these laws before Nurnberg, nor of any law regarding the Jews, except these ordinances.

Q Now, of course, the Nurnberg Laws, were promulgated in legal form, in a Reichstag session; were they not?

A Yes.

Q You were a participant, as a member of the government, were you not?

A I wasn't present.

Q You would have voted for them, had you been, I suppose.

A No.

Q You would have voted for them.

A That I can't answer today.

Q Did you sign anythin in connection with that, as a Minister?

A I have never signed any laws.

Q Did the Cabinet ever do that, do you know?

A The Cabinet, that I don't know. The Cabinet, as far as I remember, was summoned to Nurnberg, and I have not been there. I did not participate.

Q But in the light of your other answers to the questions, you do not take the position, as I understand it, that you would not have gone along, as you did with all the other legislation?

A I say, I doubt it, whether I would have stood that or not. I don't want to now, afterward, to formulate any opinion about that.

H1228-0308

Q Yes, well now, let's take that up for a moment, Doctor Schacht, as your signature on a piece of paper would not have meant anything, because there would have been others to sign it, would there not?

A Quite so.

Q So that when you say that you doubt that you would have signed it --

A That would have meant the break.

Q That would have been as a protest.

A Yes.

Q Well, the laws themselves actually were promulgated by the Cabinet and by the Reich.

A Yes, I did not draw any consequence from that.

Q And you remained?

A But I have uttered my opinion afterwards at a meeting which was held by Minister Frick, when the question came up about how to treat the so-called mixed half-Jewish, half-Christian or half-Aryan; and in that meeting which was held in the Ministry of Frick, I was asked -- I was invited to attend -- and I was asked about this whole problem; and there I have stated my views about this. Do you want to hear them?

Q No.

H1228-0309



A But I can tell you they they were against the whole idea of the racial policy of Hitler.

Q That policy, however, was promulgated in the law which you made mention of, not in the Nurnberg Laws; and yet you felt, in conscience, that you could remain in that you could remain in that Cabinet and give further aid to Mr. Hitler?

A I did.

Q Well now, your objections are very interestin, in connection with the Jewish question and how it was to be treated. Your objections, as I read them in substance, were primarily based upon the bad effect that these acts were having outside of Germany, and the consequent disturbance of your foreign trade, is that correct?

A I don't catch what you mean.

COL. CURTEIN TO REPORTER: Would you mind reading that question.

A Would you please explain it? I catch your words, but not the meaning.

Q All right, for every suggestion that you made, you generally have a reason, being a logical and a normal man.

A Thank you.

Q The objection that you raised, with respect to the treatment of the Jews by the Party, was based upon some reason.

A Yes.

Q I suggest to you, on the basis of what you have written, that the reason why you were opposed to certain excesses of the Party, if you will, was because you felt that the reperoussions abroad, particularly in the United States, were auch as to interfere with your trade policy.

A Nor, that was not my reason. My reason was the -- that I objected to the racial point of attacking the Jewish problem.

Q Well, I will go even further with you, Doctor Schacht, and say that you objected to it because it interfered with your rearmament task.

A No.

Q You say, "No"?

A No.

Q Well now, do you remember writing to General von Blomberg, on

H1228-0310

the 24th of December, 1933?

A '35?

Q '35.

A 24th of December '35?

Q 1935.

A I think it was '36.

Q Well, I have got it down as '35.

A Is that a long letter?

Q It is a long letter.

A Yes, but I think I only wrote one letter to Blomberg about the whole question.

Q Well, we can find the letter later. It dosn't matter, but I have got it down as 1935; but in any event, you do remember writing a letter to him on that subject.

A I don't know what subject.

Q On the subject of rearmament. We have discussed that before.

A I think it was '36. I didn't know it was as early as '35.

Q To refresh your recollection to start with, the burden of your letter was the difficulties you were experiencing in obtaining the devison repuired for the rearmament progran.

A Not only for the armanent program, but amongst others; also for the armament program; and certainly, to the Minister of War, I have emphasized the armament program.

Q And do you remember stating in that letter as follows -- this is the translation of course -- "The picture of the burdening of my trade and devisen policy would not be complete, however, if I did not, again, note the cultural, political obstruction which in the whole world militate against commercial relations with us"?

A Yes.

Q You remember that?

A Well, it is certainly in, because you quote from the letter.

Q I go further: "The economic and illegal treatment of the Jews, the anti-church movement of certain Party organizations, and the lawlessness, which centers in the Gestapo, create an injury to our rearmament task."

H1228-0311

A Yes.

Q You remember saying that?

A Yes.

Q "Which could be considerable lessened through the application of more respectable methods", do you remember saying that?

A Yes.

Q "Without abandenment of the goals in the least", do you re-

H1228-0312

member that ?

A Yes.

Q Did you mean that when you said it ?

A I have not only stated that in this letter, but I have said that in the second memorandum, the 3rd of May, '35, which I gave Hitler, of which you showed me one of the two memorandum yesterday.

Q Now, I ask you whether you meant what you said - -

A Certainly, certainly.

Q When you wrote that you favored certain changes in method "Without abandonment of the goals in the least" ?

A Yes.

Q Now, in other words, the goals which you were subscribing, were apparently the persecution or the mistreatment of the Jews - -

A Also, yes.

Q And the church policy ?

A Yes, and the Gestapo.

Q No, perhaps you misunderstood me, I say the goals to which you were still subscribing were discrinminatory legislation against the Jews - - you were still in favor of that by other methods.

A Quite.

Q The church policy, but by other methods.

A There was no legal attack on the church, as far as I understand; has never been; but that was simply the attack of the Party.

Q Well, regardless of what it was, it was one of the goals, to which you still subscribed.

A Yes.

Q So that I take it, there was not much, as far as I have been able to discover, of the policies and practices of the Hitler Government, during the time that you were a Minister, that you objected to in principle; your objections were solely as to method ?

A As far as I understood the principles.

Q Yes.

A Yes.

Q And your objections as to method were based largely on the inter-

H1228-0313

ference with the heavy task that you had of trade, and particularly, export trade ?

A And others. You see, amongst others. In the Jewish problem, I have always been against the racial, or the anti, or the racial conception of Hitler; and I have always maintained the Christian conception.

Q But what I am trying to get to, so that we can get it definitively, and get your views, if we can. Let's say, your views, were that you were opposed to the treatment of the Jews as an inferior class, if you will - -

A Yes.

Q Because it interfered with your foreign trade policy.

A No, not because it interfered, but because I was against, in principle, I was against racial discrimination.

Q But you stated, did you not, in a letter to Blomberg, which I have just quoted, that the goals could still be achieved, do you remember that ?

A Yes, amongst -- aside of that principle, of that racial prineiple, which I did not accept, I said it was also hindering the policy.

Q Let me understand the limitations of that, so that we can get your mind cleared up. Your only objection, then, I take it, was that racial Jews, who were Christian by religion, should be excluded.

A Quite.

Q Now, after the Sudetenland was taken over by the Munich agresment, did you as the President of the Reichsbank, do anything about the Sudeten territory?

A I think we took ovver the affilistions of the Czeck Bank of Issus.

Q And you also arranged for the currency converaion, did you not?

A Yes.

Q Now, going back to a memorandum that you told us about, that the Reichsbank Directors had written to Hitler at the end of 1938 --

A No.

Q Beginning of 1939.

A No, it was the 7th of 8th of January, 1939.

Q Who was the suthor of that memorandum; Would you tell us?

A The author, it was the concept, or what you call -- it was vocke.

Q Vocke, and how long had he been working on that; do you remember?

A Only after I came back from Berchtesgaden: that means, between the 2nd and the 7th of January.

Q That is your conception?

A Yes, except that, of course, we had a lot of discussions within the Directorium before that time, that we had to stop things.



H1228-0314

H1228-0315



Q Well now, who was in favor of stopping, and who was not in favor of stopping?

A We were all in favor of stopping.

Q Well now, there is testimony, Doctor Schacht -- I want to see what you say about it -- by several Directors of the Reichsbank, to the effect that they pressed you for monthe to tell Hitler that the Reichsbank couldn't go any further, and that you kept putting them off from timt to time.

A Yes, I said, "Wait for the suitable moment."

Q So that you agree that that testimony is correct?

A Yes.

Q Now, certain other Directors, for example, Hulse, says that as for as 1938, he opposed the Mafo financing, on the ground that it was reckless.

A Yes,

Q And would only lead to trouble; was that correct?

A Maybe.

Q I am trying to get the responsibility for the Mefo financing.

A Yes.

Q And you take that solely on yourself, do you?

A No, the whole Directorium was responsible for that.

Q That is what I am asking you; was there opposition within the Directorium to that financing?

A We have never reached, as long as I have been President of the

(SCHACHT)

H1228-0316



Reichsbank, to my recollection, any measure which was not approved by all the Directors.

Q After discussion?

A After discussion.

Q And you, of course, as President, were the foremost in position at the bank.

A Quite.

Q So that your views went a long way with the Board.

A (Witness shrugs shoulders.)

Q I mean, aside from your own personality, as President it would.

A Perhaps.

Q What I am trying to get at is, did you receive personally any suggestions or warnings as early as 1936, by any of the Directors of the Reichsbank, against this policy of financing the Reich for armament?

A Oh, we have discussed that many times.

Q So that you knew that there were people who doubted the wisdom or the desirability, as early as 1938, of going along with Hitler.

A No, of financing the Mefo bills.

Q Yes.

A Yes.

Q There was such opposition.

A Oh, there were always doubts and considerations.

Q Now, you know Wohltat very well, don't you ?

A Yes.

Q I was a bit surprised the other day, I must say, when I showed you a paper signed with Wohltat's name; and I got the impression that you didn't seem to remember much about him; is that what you tried to convey?

A I hadn't recalled that he was the man who I put into the position of representing me as Plenipotentiary for War, for Economics in case of war.

Q Do you remember that now ?

H1228-0317

A Yes.

Q You have refreshed your recollection about it?

A Yes.

Q So I take it that we may have it established then, that you did have a sort of office which dealt with the execution of your functions, as Plenipotentiary for the War Economy.

A Yes, I thought it was Doctor Bade, but I remember now it was Wohltat that was on top of that office.

Q And Wohltat, in effect, was your deputy?

A Yes.

Q Now, do you remember the other name of the other man, Worbs, who appeared on the letter?

A Worbs, I didn't remember, but I think that Doctor Bade was also. I don't know how it comes to my mind that Bade was in, but I didn't remember the other ones.

A Well now, it is obvious that since there was no war at that time, the functions that these men performed for you were preparations for the event of war; is that vorrects?

A Yes, in the ordinary routine of the General Staff, and the Minister of War.

Q So that, in effect, your outfite, with ohltat as your deputy and yourself as Chief, were working together with the General Staff for the contingency of (a) mobiligation, and (b) The event of war from the economic side.

A Yes, mobilization also in the case of war or threat of war.

Q Now, I want to ask you briefly abpout a subject upon which I don't think I ever have touched with you, perhaps others have, and that goes back to the early days before the taking over of power by Hitler. When did you fist become associated with the Nazis, or Nazi Leaders?

A My first personal touch with them -- and I had non whatever, no touch whatever before -- my first meeting was with Goering, in December 1930, My first meeting Hitler was on the 5th of January, 1931. I remeber that date because it is written down in the little Book of the sister - in - law of Goering, and therefore I remeber it.

H1228-0318

Q Yes, and at that time you became a supporte,r I take it--

A In the course --

Q Of Hitler's coming to power.

A Especially in the vourse of the years 1931 and 1932.

Q Yes, Did you go to America in 1931, do you remember?

A No, in 1930 ,

Q In 1930, rather?

A Yes.

Q And did you at that time give the impression wherever you went that Hitler was the coming man for Germany?

H1228-0319

A No, I don't think so. The statement, which I made at some occasion, was that if the Allies didn't find some means to treat Germany in an other way, and then to see to the German situation, then there would be still more Hitlerites, which means, partisans of Hitler.

Q Well, that included yourself; did it not ?

A I didn't state that.

Q No, but obviously it did, because you were for Hitler at that time, were you not ?

A No, I wasn't.

Q When did you become interested in becoming a co-worker of Hitler?

A I'd say in the years of '31, '32.

Q And that was when you saw that he had a mass movement that was likely to take power.

A Quite, that was increasing every time.

Q And did you publicly record your support for Hitler in those years?

A I think I made a statement in December, '30, once, coming back from America, at the Bavarian People's Party, where I said that there was a choice for any future German Government, either to hold against 25 % socialists, or against 20 % National Socialists.

Q But what I mean -- to make it very brief indeed -- did you lend the prestige of your name to help Hitler come to power?

A I have publicly stated that I expected Hitler to come into power, for the first time that I remember, in November '32.

Q And you know, or perhaps you don't that Goebbels in his diary ( records with great affection --

A Yes.

Q The help that you gave him at the time.

A Yes, I know that.

Q November, 1932.

H1228-0320

A "From the Kaiserhof to the Chancellory and back. "

Q That's right; you have read that ?

A Yes.

Q And you don't deny that Goebbels was right?

A I think his impression was, that was correct at that time

Q It was. Now, you knew at the time, that you stood as a conservative financier in the eyes of the world.

A Yes, I hope so.

Q A man who had formerly been President of the Reichsbank.

A Yes.

Q And a man who had been active in connection with international agreements.

A Yes.

Q And a man who had been a German representative, I believe on the Bank of International Settlements; certainly in your capacity an President of the Reichsbank.

A As long as I was President, yes.

Q As long as you were President.

A Yes.

Q And that the words that you uttered would logically be expected to have a soothing effect on the financiers, bankers, business men of the world.

A Yes.

Q Now, you know at the time, that if you made a public declaration in favor of Hitler then, that the conservative circles abroad, who might fear the excesses of such a Party as the Nazi Party, would in all likelihood be reassured by Doctor Schacht, as a personality, standing up for Hitler.

A That may be.

Q Well, I mean, it is a fact, isn't it?

A I don't know.

Q I am talking about your intention now.

A My intention.

Q Yes.

H1228-0321

A I had nothing of that kind in mind.

Q Well, certainly, you know the effect of what you were saying?

A I didn't consider that at the time, but I say it might be.

Q It may be?

A Yes

Q Now, I just want to ask you to look at this record so that we can finish up. This is an article that was written in the 16th of January, 1937, or thereabout, which appeared in the "Militaerische Wochenblatt", and I would like you to run through it and see if, in all modesty, you can admit that that article is a correct description of your activities and you. (handing to witness)?

A As I see it for the first time in my life.

Q Do you accept it as correct?

H1228-0322

A I wouldn't say so--yes--but it was circulated as all research articles are.

Q On the whole, you accept it as true?

A I would say the underlying conception is certainly true.

Q In other words, in effect, you are not taking the position that you were not largely responsible for the rearming of the German Army.

A Oh, no, I never did.

Q You have always been proud of the fact, I take it.

A I wouldn't say proud, but satisfied.

Q Now, I just wonder--I didn't identify several of these documents which I showed you the other day, and I am just wondering if your recollection is refreshed as to the point where you remember them any more, these letters, signed by Worbs and also signed by Wohltat?

A I don't,but it must certainly be correct, because it is from my office.

Q Let me ask you a general question then: Do you take the responsibility, as the Plenipotentiary for the War Economy, for the writings that were made, and the actions that were done by Wohltat and his assistants?

A I have to.

H1228-0323

Pages 71 to 72

Q Well now, let's go back for a moment to something else you said the other day which interests me. That is, with respect to the position of the Wehrmacht, in relation to the Anschluss, and in relation to the taking over of the Sudetenland. The position you took, as I understand it, was that the Wehrmacht was important not so much as an aggressive weapon against strong countries, Austria and Czechoslovakia, as against or vis-a-vis, if you will, the larger powers, the concert of nations in Europe; that is what you state.

A My statement was that the armament of Germany has changed the attitude of the Allied powers.

Q So that they would not be likely to intervene as they did in the case of the attempted Customs Union Anschluss of 1931

A For instance,--

Q That means, that a stalemate would be created by virtue of the Armed might of Germany, which would tend to prevent the foreign powers, that is, Britain, France, Russia, from interfering in the plans of the new Reich, substantially.

A Not the plans of the new Reich, but it would give Germany the equal position in international negotiations.

Q The equal position being something as follows: That if Hitler decided to negotiate with Schuschnigg--see if I am right-that he would be able to negotiate with Schuschnigg with free hand, because he had a Wehrmacht, whereas if he didn't, England and France could intervene, as they did in 1931?

A Yes, I may state it that way.

COLONEL GURFEIN: That is all.

(Whereupon, at 1630, 17 October 1945, the hearing was adjourned.

Exhibit USA 648
Filed Jan. 11, 1946

H1228-0324

EXCERPTS

Testimony of Herman Goering, taken at Nurnberg, Germany, 17 October 1945, 1030-1215, by Lt.Col.M.I.Gurfein, OUSCC. Also present: Captain Frank, Interpreter and Miss Evelyn Low, Reporter.

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Page 1

Q. I wanted to ask you to-day about some of the economic history of the period. When was the armament program first discussed, that is, the rearmament program - what year?

A. Immediately in 1933.

Q. In other words, Schacht had assumed the obligation at that time already to raise funds for the rearmament program?

A. Yes but of course in co-operation with the Minister of Finance.

Q. During the years 1933 to 1935, before general conscription came in naturally, the rearmament was a secret rearmament was it not?

A. Yes.

Q. So that any monies that were used outside of the budget would have to be raised by some secret means, not to be known to foreign nations?

A. Yes, unless they could be raised from normal army funds.

Q. That is to say, you had a small budget for the standing 100,000 man Army which was open and the rest of the rearmament had to be from secret sources?

A. Yes.

Pages 9 - 13

Q. You had some jurisdictional differences with him in connection with that position I believe and I want to show you an agreement of the 7th July 1937 and ask you first to read it. Do you recognise that copy?

A. I can give you exact explanations. It was naturally my opinion that the Plenipotentiary for War Economy would be abolished through the nomination of myself for the Four Year Plan. Schacht opposed this conception very forcibly. It was his argument that I, as Supreme Commander of the Air Force, would be tied down for military reasons to much too large a degree in the case of war. This conception I logically had to agree to. And subsequently this contract was made. But I want to draw your attention to one thing - the last sentence. Apart from this, the fact that the Plenipotentiary for War Economy has a position of supreme Reichs authority can in no way be doubted. This sentence was inserted on my request. This means that I could give him instructions at all times since the authority of the Plenipotentiary for the Four Year Plan stated that I could give orders at any time.

Q. But it also was a face-saving device?

A. It gave me a possibility to give orders to the Plenipotentiary in spite of this agreement. Schacht, however, in the event of war desired to cancel the Four Year Plan by means of this agreement so as to take the situation in hand himself. Thus this safety sentence, this last sentence, was added.

Q. But on the face of it it looks as if it established a high position for Dr. Schacht and certainly prevented the abolition of his office.

A. No. The position of Plenipotentiary for War Economy meant an improvement of his position as Reichs Minister of Economy.

Q. So that it is clear, is it not, that as late as 7 July 1937 against your attempt to abolish Schacht's position as Plenipotentiary for for the War Economy he was opposing any such step and in fact was urging that he be given broader powers in the event of war?

A. Yes, that is correct. I wanted this position abolished - in the event of war and yet he succeeded in retaining his position.

Q. Shortly after -

A. This I must underline. Schacht always tried to slide out and up and achieve yet a new position whilst all other Ministers co-operated absolutely.

Q. Shortly after this, before we leave this agreement which you have just identified, Mister Goering, I wanted to ask you, there is a reference in it I believe to a position of Hitler, with respect to this jurisdictional controversy?

A. The Fuehrer sent for us both and explained how he visualized this matter should be handled. He then put a proposal to us - Schacht was anxious to take something back in writing - regarding how such an agreement should be drafted.

Q. In this conversation that you had together with Dr. Schacht in the presence of Hitler, did Dr. Schacht make the proposal that he was anxious to continue his powers as economic dictator in the event of war?

A. Yes, he even suggested that he should carry out his activities independently from me. He gave as reasons that he could not otherwise carry out his task and said that in the event of war I would obviously be continuously absent, i.e. at my headquarters in the field, etc. Practically speaking, to say it in one sentence, I should like to say that what Schacht wanted was that in the event of war the Four Year Plan should be abolished.

Q. Shortly after this agreement that was decided upon by Hitler with respect to your jurisdiction in case of war, you began to have further disputes with Dr. Schacht concerning economic matters, did you not?

A. Yes.

Q. Let me show you a copy in English?

A. Just a moment - the Fuehrer did not lay down details in this connection. This agreement is on extremely vague lines.

Q. Coming to this period shortly thereafter when you say you had difficulties with Schacht, I should like to show you an English copy of a letter dated 26 August 1937 by Schacht to you and will ask the captain to be good enough to translate it into German - perhaps you can read it in English?

A. Yes.

Q. Can you understand this?

A. Yes.

Q. This is dated about a month later - roughly seven weeks. What was the background for this letter of Dr. Schacht's?



H1228-0325

A. Some row between the departments.

Q. And you had apparently written a letter previously to Schacht, to which he took exception, is that correct?

A. Yes, certainly, either myself or my immediate subordinate - I have avoided whenever possible to write myself - but it is quite possible that I myself wrote in this case.

Q. Do you know what was meant by the phrase "fundamental differences exist in our economic policies"?

A. He was absolutely - how shall I say it - the basic principle was that I was interfering too authoritatively with economic matters and I had frequent conferences with the leaders of the economic system which were against the feelings of Schacht's personality. Furthermore, Schacht sent me situation reports in such cases which were not strictly in keeping with the facts. For instance, I received situation reports according to which no further import possibilities would exist after, say, six weeks or two months, and I must say some such nonsense. He would paint the situation in such extreme and black colours so as to scare me off personally.

Q. Did you feel there was always an implication that if Schacht were permitted to do it himself that he felt hecould do it better?

A. Yes, that he has always told me, though indirectly.

Q. You recall that Schacht left the Reichsbank in January 1939. Do you remember the circumstances of that?

A. Yes. The circumstances in this connection were, I must say, ridiculous. The Minister of Finance, as it is often the case, demanded an advance at the end of the month as had been the case, and quite suddenly and without notice this advance was refused. He told the Minister of Finance to declare the Reich bankrupt. The Minister of Finance put the matter right on his own negotiation but thus proved to the Fuehrer that Schacht was being obstructive.

Q. But the discussions about Reichsbank financing with respect to the question of inflation, do you know anything about those?

A. Yes, the question of inflation arose during all conferences, and suggestions were always made regarding measures to prevent the actual arrival of an inflation. Opinions differed on these occasions. Someone, I cannot remember who it was, would say that we were practically in the middle of an inflation now and someone else would say that this was not so and could be avoided.

Q. I want to ask you this specifically. Was Schacht dismissed from the Reichsbank by Hitler for refusing to participate any further in the rearmament program?

A. No, because of his utterly impossible attitude in this matter, regarding this advance which had no connection with the rearmament progra

Q. Keppler says that as early as 1936 you were trying to get rid of Schacht by talking to the Fuehrer about him, is that correct?

A. No, it was much later.

Q. And when it was later, it was about these personality difficulties that you have discussed here this morning?

A. Yes. I always saw that he made considerable difficulties for my staff when they were working on economic subjects outside. I don't recall.



H1228-0326

Q. I want to ask you whether this statement is true. Schacht in effect has said that he resigned as Minister of Economics because he could not agree with Goering or Goering's war policy and that he wanted to prevent the over-loading of industry for the preparation for war?

A. Oh! But that is absolute nonsense - he would never have said it then. If he had said this as a reason for his renunciation he would not have remained a member of the Reichs Cabinet nor the Chief of the Reichsbank.

Q. I don't say that he said it at the time, I said that he says it now. Is it true?

A. Of course what he says now, that I don't know. But I do not want to deny in this connection that I myself have pursued a very strong economic policy for the purpose of rearmament. That is the actual reason for the Four Year Plan. But if he does say this now he has certainly hidden it very successfully then.

Q. In general terms, Schacht was never opposed, as far as you were concerned, with the rearmament program or the extent of it?

A. No, he certainly did not oppose it generally but he had different opinions regarding the methods to be employed. Obviously it would have been quite out of the question that Hitler advanced and honoured Schacht the way he did - making him Minister of Economics and President of the Reichsbank, etc. - if Schacht had been opposed to the rearmament program. But he was of the opinion - as I said before, that sums such as the Fuehrer visualized were impossible. That is correct.



H1228-0327

Exhibit USA 647
Filed Jan. 11, 1946



H1228-0328

EXCERPTS.

STATEMENT OF SCHWERIN VON KROSIGK, at OBERURSEL, 24 September 1945

Interrogated by Lt. Col. M.I.GURFEIN, Office of US Chief of Counsel, Report by Miss Evelyn Low, Office of US Chief of Counsel.

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Pages 2-6
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Q. Well, we will leave that for the moment. In any event, you began to have meetings with Blomberg and Schacht concerning the financing of the armaments program, beginning, I believe, you said, in 1935?

A. Yes.

Q. Now, please tell us the discussions that took place the first time that you had this meeting.

A. These discussions during the years always took place in about the same way. The Field Marshal von Blomberg and later on the Field Marshal Keitel, told us the sums which for the following budget year the Minister of War thought to be necessary and then we discussed how these sums eventually could be financed. I made a statement on the probable income of taxes. Schacht said that he thought that probably we would be able to get a certain sum of treasury bills taken by the banks and that he could be able to finance a certain sum with the aid of the Reichsbank and if these two sums, the one sum which the Army wanted to have and the sums which we thought we could get, didn't suit, then, of course, there was a long discussion with the aim to come together and the result was in most cases that the Minister of War said "Well, I put down the amount I wanted to have and I will try to get through with the lower amount" and we said "Well, we will try to finance this sum, if it should prove not to be possible during the year, then we will meet again during the year and discuss what is going to happen." I think it was in 1936 that according to Motion made by Mr. Schacht we found the way of the Mefo bills and also according to Motion of Mr. Schacht we thought that we could go to the amount of 12 billion Mefo bills.

Q. Now, that sum of 12 billion marks of Mefo bills, how was that limit fixed? Was it based on the technical estimate of the capacity of the Reichsbank to finance or was it based on some other ground?

A. No, it was merely based on the technical capacity of the Reichsbank and Schacht said that he merely could estimate or could feel the possible height of this figure.

Q. And was there any discussion as to what alternative methods of financing should be employed when the ceiling of 12 billion marks through Mefo bill financing had been reached?

A. Not in the beginning because we then didn't know how long this amount of 12 billions would reach. In the moment as we saw that it would come to an end in a certain time we discussed the new methods of financing and we came to the result that in the first place we would have to increase the revenue of taxes and so we came to a resolution of increasing the corporation taxes.

Q. Was Dr. Schacht a party to this discussion about increasing the corporation taxes as a means of financing re-armament?

A. Yes.

Q. Would you say that a time came when it was clear that you were going to reach shortly the 12 billion figure. Can you recall how much had already been financed through Mefo bills at that point?

A. As far as I remember, it was at the time when the expenditures had reached the sum of 9 billions.

H1228-0329

Q. Now, that coincided with the ending of the 4 year term of Dr. Schacht as President of the Reichsbank - he was appointed in 1933 for 4 years, ending in 1937. Now, did Schacht discuss with you at that time whether or not he should assume again the presidency of the Reichsbank?

A. I don't think that he discussed it with me but as far as I remember I have heard from Dr. Berger who always was on good terms with Dr. Schacht and with the other gentlemen of the Reichsbank that he was doubtful whether he should again take the duty for four years or whether he should take it only for one year to see what would happen in this year.

Q. What reasons were given to you by Dr. Berger and others as to why Schacht said that he was debating whether or not to take a 4 year term or a one year term as President of the Reichsbank?

A. As far as I remember the reason was the conflicts which had arisen between Schacht and Goering and between Schacht and Darre. This conflict was due to various technical differences. But those differences led also to a personal difference, especially between Schacht and Goering.

Q. And I believe you told me that there was resentment on the part of Schacht over the economic powers that Goering had been given by Hitler?

A. By Hitler because Schacht thought that these economic powers of Goering led to conflicts with powers as Minister of Economy or as President of the Reichsbank.

Q. In your discussions with Berger, was anything said about Schacht's attempt to regain the power over the Economy that he had lost to Goering?

A. I am not quite sure whether it was in conversations with Dr. Berger but I remember that in conversations with him or with other persons this reasons then was discussed.

Q. Let me ask you, did you ever discuss it with Keppler?

A. I don't think I did. It's possible but I don't think I did.

Q. Who were these other persons, as you can remember?

A. Well, it is possible that I spoke about it with other Ministers, with Neurath, or Seldte, or Gertner, but I don't know.

Q. Well, in any event, is it clear that prior to the time when the last three billion financing by the Reichsbank of the Mefo bills were started, that everybody concerned knew that this was to be the last financing of Mefo bills. Did you understand that?

A. Yes. Well, I will put it in that way. I think that certainly Mr. Schacht said that it was his intention not to go beyond the sum of 12 billion Mefo bills.

Q. What I mean is, there was no new crisis so far as you recall in the 1937/1938 period because as you explained it, it was already understood before that, that the sum of 12 billion would be the limit?

A. Yes.

Q. Now, do you know anything of the circumstances under which Schacht finally resigned or was put out as President of the Reichsbank in January 1939.

A. Yes. Of cours I am not quite sure whether the incident which I am going to tell was the real reason that Schacht resigned, but it certainly was a ground that gave the start. I asked Mr. Schacht to

H1228-0330



finance for the Reich for the ultimo of the month the sum of 100 or 200 millions. It was this quite usual procedure which we had used for years and years and we used to give back this money after a couple of days. Schacht this time refused and said that he was not willing to finance a penny because he wanted that, as he said, it should be made clear to Hitler that the Reich was bankrupt, I tried to explain that this was not the proper ground to discuss the whole question of financing because the question of financing very small sums for a few days during ultimo never would bring Hitler to the conviction that the whole financing was impossible. As far as I remember now it was Funk who told Hitler something about this conversation, then Hitler asked Schacht to call upon him. I don't know what they said but the result certainly was the dismissal of Schacht.

Q. Now, did Schacht ever say thing to you to the effect that he wanted to resign because he was in opposition to the continuance of the re-armament program?

A. No, he never said it in this specific form but in some conversations he certainly said several times in his own way when he had conflict with Goering and anger with Dar , so that I didn't take these things very seriously.

Q. Well, let me put it this way and please think carefully about this. Did Schacht ever say that he wanted to resign because he realised that the extent of the re-armament program was such as to lead him to the conclusion that it was in preparation for war rather than for defense?

A. No, he never did.

Q. Was Schacht ever quoted to you to this effect by any of your colleagues or by anybody else?

A. No.

Q. Now, after Keitel took over the position of Chief of the Wehrmacht, there were still meetings between Schacht and yourself, with Keitel in place of Blomberg?

A. Yes.

Q. Did Schacht ever say anything at these meetings to indicate that except for the technical question of the financing through the Reichsbank directly he was opposed to a further program of re-armament or opposed to the budget of the Wehrmacht?

A. No, I don't think he ever did.

Q. Is that your best recollection?

A. It may have been that he explained to Keitel that in his opinion the amount of re-armament could lead to economic difficulties especially as regards the level of prices.

Q. You mean that the pressure of armements purchasing and the shortage of goods created thereby might cause a rise in prices?

A. Yes but I only stress this, that all the reasons I heard from Schacht as regards re-armament always were technical or economic reasons.

Q. Let me ask you one other thing. At the first meetings in 1935 between Blomberg, Schacht and yourself, Schacht has stated that at those meetings no fixed amounts were discussed in any form and that he was asked whether the Reichsbank would participate in the financing of re-armaments without discussion as to the amount involved. Is that also your recollection?

H1228-0331



A. Yes, because that leads to the certain difference of opinion I had in the beginning.

Q. Please explain that.

A. I had the opinion that we should try to come to fix a certain sum for re-armament, if possible for some years. Schacht as well as Blomberg had the opinion that that was not possible and Schacht always thought that the natural limit for re-armament was the capacity of labor and the capacity of industry to produce. I always thought that the limit by fixing a certain sum would be more effective as it would lead the Minister of War to more careful thrift. So we then came to the arrangement to fix a sum not for several years but always for one year. Now, I am not quite sure for which year we fixed the sum in this way.

Q. The net result of that was, however, that it enabled you to make larger expenditures in the event that the capacity of industry and labor and resources increased. In other words, that you did not have a definite limit set in advance from the financing point of view, which would have restricted the possibilities.

A. Well, for one year, yes.

s/ Graf Schwerin Von Krosick.

29.9.45.

Sworn to me before this twenty-ninth day of September, 1945.

Murray I. Gurfein, Lt. Col. AUS.